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Ms. Lisa French, Vice President Sustainability Standards
Canadian Sustainability Standards Board (CSSB)
277 Wellington Street West
Toronto, Ontario
M5V 3H2

Delivered via email to **LFrench@frascanada.ca**

Dear Ms. French,

Re: Consultation on CSSB Exposure Drafts

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD $233 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 725,000 people in our province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will deliver strong and stable financial returns.

As a long time supporter of the Sustainability Accounting Standards Board (SASB), and subsequently the International Sustainability Standards Board (ISSB), BCI welcomes the opportunity to provide feedback on the CSSB's first Exposure Drafts on Canadian Sustainability Disclosure Standards (CSDS). This development is a significant milestone in the establishment of a global baseline of climate and sustainability-related financial disclosures for the capital markets in Canada.

Global alignment of sustainability-related financial disclosures

As a large institutional investor, with a globally diversified portfolio, BCI strongly believes in the benefit of globally consistent, comparable, and reliable sustainability-related financial disclosures. This information is crucial to support investment decision making and allows investors to confidently assess and manage associated risk exposure. BCI believes the best way to achieve the desired global baseline across jurisdictions is through full alignment with the ISSB's standards. These standards, IFRS S1 and S2 specifically, build on existing and broadly accepted frameworks and standards, such as the Task Force for Climate-Related Financial Disclosures (TCFD) recommendations and the SASB industry-specific standards.

The IFRS standards have been endorsed by the International Organization of Securities Commissions (IOSCO) enhancing the prospect of global consistency, and success hinges upon the extent to which global jurisdictions adopt the standards as they are. Deviations from both the climate and sustainability standards, such as carve-outs, introduce the likelihood of reduced comparability and increase the burden and cost on issuers. We note that the ISSB's approach includes the phasing in of requirements which allow companies time to prepare for the new requirements.

With that view, we are pleased to see the close alignment between the ISSB standards and the proposed standards from the CSSB. Aside from additional transition reliefs, CSDS 1 and CSDS 2 have left the ISSB standards largely intact. BCI believes that this is the appropriate approach, and it is preferable to extend reasonable reliefs rather than limiting the scope of the standards.

We note the proposed CSDS would become voluntarily effective for annual reporting periods beginning on or after January 1, 2025, until the Canadian Securities Administrator (CSA) determines whether and how the CSDS will be incorporated into a CSA rule. While we see the benefit of voluntary application of CSDS until such time the standards are incorporated into the Canadian regulatory framework in that it allows Canadian preparers to ensure their readiness for mandatory reporting, we are cautious about future modifications, specifically modifications that reduce or leave items out of the scope of the standard.

Specifically, we do not think that carve outs for Scope 3, scenario analysis, and non-climate related disclosures should be contemplated during this period. BCI believes in, and is advocating for, the full and complete adoption of the global baseline in all jurisdictions, including Canada. This is a future-proof approach that will ensure Canadian issuers meet global investors' expectations and reduce costs and disruptions associated with ongoing regulatory consultations when expansion of the rules is contemplated.

We have reviewed the two exposure drafts and the Proposed Criteria for Modification Framework; our comments on the CSSB's specific questions and focus areas are below.

Criteria for Modification Framework

We agree with proposed paragraphs 1(a) and 1(b). Regarding paragraph 2, we support the ISSB's "building block" approach, which allows for additions to the global baseline and limits modifications or deletions (as per IFRS S1 BC78). Therefore, we recommend that the CSSB consider **only** additions to the ISSB baseline when unique circumstances arise in the Canadian public interest, such as addressing the rights of Indigenous Peoples. We believe this approach would best serve the ISSB's objective of achieving interoperability across jurisdictions.

Transition Reliefs

1. *Effective Date:* BCI believes the additional time afforded to Canadian issuers (January 1, 2025, vs. January 1, 2024) for CSDS 1 and CSDS 2 compliance is reasonable.
2. *Non-Climate Disclosure Relief:* BCI does not believe that an additional two years is needed to allow Canadian issuers to prepare to disclose material sustainability related information and

therefore, recommend only one-year of transition relief, as per the IFRS S1 standard. Where sustainability-related factors are material, they have the potential to present material financial impacts to companies' performance and is important information for boards and investors. Arguably, companies should already be collecting and disclosing the information prescribed in CSDS S1. The IFRS Foundation monitors the extent to which companies are using the SASB standards and according to this data, 60% of the S&P/TSX Composite is already utilizing these standards. This number has doubled since 2020 so if the CSSB and the securities regulators deviate from the global baseline, as a market, we risk losing significant momentum and not providing global investors with what they expect.

While we recognize that meeting the standards is more of a challenge for smaller issuers, the fact that CSDS 1 requires disclosure of only industry-specific standards provides helpful proportionality to guide preparers. Ongoing omission or delay in implementing CSDS 1 could impair the information derived from Canadian issuers as compared with the global baseline and place Canadian companies at a disadvantage to foreign entities that are reporting all material sustainability information.

Investors have consistently expressed our need to receive consistent sustainability-related information on an industry specific basis. This need was clearly demonstrated in 2020, when the CEOs of Canadas's eight largest pension plans and pension plan investment managers **publicly expressed** their expectation that companies measure and disclose their performance on material, **industry-relevant** ESG factors by leveraging the SASB standards and the TCFD recommendations.

3. *Scope 3 GHG Emissions Relief:* BCI is open to this relief, in principle, to give issuers additional time to prepare and to give securities regulators an opportunity to determine the most appropriate safe harbour provisions for this data. BCI recognizes the complexity and many assumptions required to report this data. However, we agree with the statements made by the CSSB about the significance of Scope 3 emissions in most entities total GHG emissions inventory and how critical this information is for understanding an entities exposure to climate-related risks and opportunities in the value chain. By taking steps to track, disclose and ultimately reduce Scope 3 emissions, Canadian issuers can provide evidence of transition risk management to investors. It can also help companies prioritize emission reduction strategies, encourage product innovation, and identify leaders and laggards in their value chain.

   While we share the concerns from preparers about potential uncertainty of Scope 3 GHG emissions measurement and challenges related to capacity, the proposed CSDS 2, consistent with IFRS S2, requires that entities use "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort". We believe this proportionality allows entities to reduce the reporting burden of disclosing Scope 3 GHG emissions.

   In addition, we would note that according to Bloomberg data, over 50% of the S&P/TSX Composite is already disclosing Scope 3 emissions data. This disclosure is helpful for investors to understand where risk may lie in a company's value chain including transition and physical risk. Provided companies acknowledge their estimation methodologies and use established emissions factors, investors appreciate the indicative nature of this data.

4. *Timing:* As users and preparers of this information, we understand the challenges of aligning reporting of sustainability-related impacts with financial statements and are open to supporting additional transition reliefs on this matter. We emphasize that the end-state should be one of alignment with ISSB and concurrent reporting, and issuers should consider starting efforts to eventually report concurrently. The CSSB could support preparers with additional guidance and support on this important requirement.

5. *Climate Resilience/Scenario Analysis relief:* BCI recognizes the limitations of scenario analysis for comprehensively assessing climate resilience. We understand that scenarios are not forecasts and are largely deterministic, modelling discrete pathways and potential outcomes. Expertise and judgement are required to understand the idiosyncrasies in assumptions and structures and there are inconsistencies to deal with when data is not complete. The research and techniques continue to evolve.

   That being said, scenario analysis is a powerful tool that allows companies and boards of directors to examine and understand possible future pathways and outcomes. It is an important strategic activity and is viewed as a best practice tool for understanding risks and opportunities of climate change for investors. Regulators such as OSFI and the Bank of Canada are utilizing common climate scenarios and requiring institutions in their purview to do the same[1]. BCI believes a transition relief in this area could disadvantage Canadian issuers, relative to foreign entities who disclose this activity. A better approach would be to provide guidance or help issuers develop their capacity in this area.

   Investors can also appreciate that this strategic exercise is likely to be qualitative in nature, at least initially, and we do not encourage an overly prescriptive approach to disclosure in this area. Based on engagement with companies where scenario analysis is particularly material, the process itself is most valuable in generating discussion and reflecting on impacts to the business model.

Thank you again for the opportunity to opine on this extremely important endeavour. We appreciate the prompt attention that the CSSB is paying and quick release of these exposure drafts. We believe Canada can demonstrate leadership by adopting a fully IFRS-aligned approach to sustainability disclosure.

[1] In March 2024, the Office of the Superintendent of Financial Institutions (OSFI) has announced updates to its Guideline B-15: Climate Risk Management, mostly aligning the operations of federally regulated financial institutions with global sustainability standards, specifically IFRS S2

For any clarifications related to this submission please contact Susan Golyak, Director, ESG at **susan.golyak@bci.ca**

Sincerely,

Daniel Garant
EVP & Global Head, Public Markets

cc Susan Golyak, Director, ESG