THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

IFIC Submission

Re: Canadian Sustainability Standards Board (CSSB) Proposed Sustainability Standards CSDS 1 & 2

June 13, 2024

THE INVESTMENT FUNDS INSTITUTE OF CANADA | L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

IAN BRAGG
Vice-President, Research & Statistics, Vice-président, Recherches et statistiques
ibragg@ific.ca 416 309 2325

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Submitted by electronic filing

Lisa French
Vice-President, Sustainability Standards
Canadian Sustainability Standards Board
277 Wellington Street West
Toronto, Ontario M5V 3H2

Dear Ms. French:

RE: Canadian Sustainability Standards Board (CSSB), Proposed Canadian Sustainability Disclosure Standard (CSDS) 1, General Requirements for Disclosure of Sustainability-related Financial Information and Canadian Sustainability Disclosure Standard (CSDS) 2, Climate-related Disclosures

IFIC is the voice of Canada's investment funds industry. IFIC brings together approximately 150 organizations, including fund managers, distributors and industry service organizations, to foster a strong, stable investment sector where investors can realize their financial goals. IFIC operates on a governance framework that gathers member input through working committees. The recommendations of the working committees are submitted to the IFIC Board or board-level committees for direction and approval. This process results in a submission that reflects the input and direction of a broad range of IFIC members.

IFIC is generally supportive of the Canadian Sustainability Standards Board's (CSSB) Proposed Canadian Sustainability Disclosure Standards (CDS 1 and CDS 2) (**Disclosure Standards**) and the close alignment of the standards themselves with the International Sustainability Standards Board's (ISSB) standards – IFRS S1 and IFRS S2.

IFIC is also supportive of CSSB's commitment to respecting the rights, perspectives and priorities of First Nation, Métis and Inuit Peoples in its consultation process and of creating an engagement plan to involve these groups in the development of its Disclosure Standards.

Our members, investment management firms, and dealers, play important roles in Canadian and global financial markets. Investment funds are key intermediaries in capital markets and an indispensable vehicle for investors seeking to achieve their most important long-term financial goals. For these reasons, we support initiatives that strengthen the current landscape of sustainability reporting in ways that will benefit markets, funds, and investors. Currently, issuers' sustainability and climate-related disclosures are not sufficiently complete, consistent, or comparable. Quantitative information is often limited and, most often, provided on a voluntary basis.

Many investment management firms require high-quality consistent and comparable sustainability and climate-related information from reporting issuers to inform investment decision-making. Many portfolio managers rely upon sustainability and climate-related information to assess investment risks and opportunities of individual securities and to guide corporate engagement and proxy voting activities. Also, sustainability and climate-related information is critical for understanding how sustainability and environment issues, including climate change are impacting individual companies, and how the activities of individual companies are in turn affecting sustainability and climate change as well as the broader environmental, economic and investment landscape.

Furthermore, many investment management firms require sustainability and climate-related information from the issuers their funds and clients are invested in to monitor and execute on their own sustainability and climate-related investment objectives and to report in accordance with securities regulators' ESG disclosure expectations[1]. High-quality information and data are critical to be able to ensure alignment between investment objectives and investments.

It will still be the case that certain investment management firms require additional sustainability and climate-related disclosure from issuers beyond what is contemplated in the proposed Disclosure Standards. However, IFIC believes that standardized sustainability and climate change data as envisioned by the CSSB will provide a solid base of information whereby investment management firms will be able to effectively manage their obligations.

Adopting Disclosure Standards into Regulatory Frameworks

The proposed Disclosure Standards would be voluntary until mandated under Canadian securities legislation. To become mandatory under Canadian securities legislation, the CSSB standards must first be incorporated into a rule established by the Canadian Securities Administrators (CSA). The CSA has indicated in a press release, March 13, 2024, that once the CSSB consultation is complete and its standards are finalized, the CSA will seek comment on a revised rule setting out disclosure requirements.

IFIC encourages the consideration of these factors in respect of the proposed disclosure standards and any implementing rules:

- **Scope** – The CSA indicated in its press release that it anticipates adopting only those provisions of the sustainability standards that are necessary to support climate-related disclosures. Investment management firms require high-quality, consistent, and comparable sustainability information beyond disclosures related to climate change. IFIC encourages inclusion of these broader requirements in sustainability disclosures. IFIC believes that general sustainability reporting requirements, in addition to climate-related reporting requirements, would be more aligned with existing ESG disclosure expectations for investment funds.[2]
- **Annual Reporting Timelines for Reporting Entities** – Harmonizing sustainability and financial disclosures requires careful consideration. Firms that will not already be reporting to the proposed Disclosure Standards on a voluntary basis, will require time to gather sustainability and climate data to the same level of detail and accuracy as financial data. This may require an adjustment period to allow reporting entities time to implement the necessary systems and processes for accurate integrated reporting.
- **Proportionality** – IFIC supports proportionality in the application of sustainability and climate change reporting standards. In particular, smaller companies, like those listed on the TSX Venture Exchange, should be given longer timelines to apply the Disclosure Standards. By tailoring reporting timelines based on company size, the regulatory framework can ensure that the reporting burden does not disproportionately impact smaller issuers.
- **Inclusion of Safe Harbour Provisions** – Inclusion of safe harbour provisions related to climate change scenario analysis is crucial. These provisions can offer legal protections for issuers as they navigate the risks inherent in building, analysing and maintaining forward looking climate change scenario models. By safeguarding issuers from potential liabilities associated with forward-looking statements, these provisions encourage more transparent and robust climate risk disclosures. This, in turn, will enhance the quality of information available to investment managers and other stakeholders.

[1] CSA Staff Notice 81-334 (Revised) ESG-Related Investment Fund Disclosure.
[2] Ibid.

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IFIC appreciates this opportunity to provide our input to the CSSB on this important initiative. Please feel free to contact me by email at ibragg@ific.ca or by phone at 416-309-2325. I would be pleased to provide further information or answer any questions you may have.

Yours sincerely,

THE INVESTMENT FUNDS INSTITUTE OF CANADA

By: Ian Bragg
Vice-President, Research & Statistics