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July 22, 2022
Submitted via electronic email commentletters@ifrs.org

Dear Sir/Madam:

We are submitting this comment letter in response to the *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S2 Climate-related Disclosures* and *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*.

REALPAC is the national industry association dedicated to advancing the long-term vitality of Canada's real property sector. Our members include publicly traded real estate companies, real estate investment trusts (REITs), private companies, pension funds, banks, and life insurance companies with investment real estate assets each in excess of $100 million. The association is further supported by large owner/occupiers and pension fund managers, asset managers, lenders, government real estate agencies as well as individually selected investment dealers, real estate brokerages, and consultants/data providers.

As an industry we understand that the focus on climate-related issues has grown rapidly in recent years and recognize the need for entities to provide investors with material information on sustainability and climate-related matters. We appreciate the efforts of the IFRS Sustainability Standards Board in developing standards to meet these needs.

Our key comments:

One of our key concerns with the Exposure Drafts is that they seem to presuppose all entities – internationally – are at an advanced stage in their journey to a low carbon economy. While there has been significant progress in providing disclosures of climate-related risks and opportunities, entities are at different stages in this area. The proposed standards do not adequately consider the challenges faced by all but the most advanced entities in relation to costs, data gathering, internal resources – including technical expertise – and investor needs.

We encourage the ISSB to consider providing a lower baseline and scaling the requirements proposed in the Exposure Drafts to be inclusive of entities at all stages in their journey to a low carbon economy. In the absence of allowing entities time and flexibility to adopt the standards, we are concerned that setting the requirements beyond the capabilities for most entities at the onset will hinder adoption internationally and dilute the effectiveness of having globally converged sustainability standards.

Our specific responses to select questions for *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S2 Climate-related Disclosures* are as follows:

Question 1: Objective of the Exposure Draft

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

• to assess the effects of climate-related risks and opportunities on the entity's enterprise value;

• to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and

• to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

(a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?

(b) Does the objective focus on the information that would enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?

(c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Our response:

We agree with the objective of the Exposure Draft, as investors and other stakeholders increasingly require disclosures of material climate-related risks and opportunities related to an entity's business. However, we think that this objective needs to be met in stages, where the global baseline begins at a level that is reasonable and upon which additional disclosures can build.

Question 2: Governance

Paragraphs 4 and 5 of the Exposure Draft propose that an entity be required to disclose information that enables users of general-purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities. To achieve this objective, the Exposure Draft proposes that *an entity be required to disclose information about the governance body or bodies (which can include a board, committee or equivalent body charged with governance) with oversight of climate-related risks and opportunities, and a description of management's role regarding climate-related risks and opportunities.*

The Exposure Draft's proposed governance disclosure requirements are based on the recommendations of the TCFD, but the Exposure Draft proposes more detailed disclosure on some aspects of climate-related governance and management in order to meet the information needs of users of general-purpose financial reporting. For example, the Exposure Draft proposes a requirement for preparers to disclose how the governance body's responsibilities for climate-related risks and opportunities are reflected in the entity's terms of reference, board mandates and other related policies.

The related TCFD's recommendations are to: describe the board's oversight of climate-related risks and opportunities and management's role in assessing and managing climate-related risks and opportunities.

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Our response:

We agree with the disclosure requirements under TCFD as many of our members are already disclosing these in their ESG or sustainability reports. We encourage the ISSB to consider phasing in the disclosures that are additional to those required under TCFD for smaller entities that are not as far along in their climate-reporting journey.

Question 4: Concentration of climate-related risks and opportunities in an entity's value chain

Paragraph 12 of the Exposure Draft proposes requiring disclosures that are designed to enable users of general-purpose financial reporting to understand the effects of significant climate-related risks and opportunities on an entity's business model, including in its value chain. The disclosure requirements seek to balance measurement challenges (for example, with respect to physical risks and the availability of reliable, geographically specific information) with the information necessary for users to understand the effects of significant climate-related risks and opportunities in an entity's value chain.

As a result, the Exposure Draft includes proposals for qualitative disclosure requirements about the current and anticipated effects of significant climate-related risks and opportunities on an entity's value chain. The proposals would also require an entity to disclose where in an entity's value chain significant climate-related risks and opportunities are concentrated.

Paragraphs BC66–BC68 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

(a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

(b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Our response:

We agree that providing disclosures about material climate-related risks and opportunities on an entity's business model and value chain will provide useful information. We also agree that these disclosures should be qualitative rather than quantitative, as the challenges to quantify these – particularly in relation to the value chain – would require such extensive estimation that the reliability of amounts would be undermined.

However, we believe that the disclosures around value chain need to be phased in over time. Entities within the value chain may be smaller private or public entities that have not yet established the processes to collect and provide the necessary information.

Question 5: Transition plans and carbon offsets

Disclosing an entity's transition plan towards a lower-carbon economy is important for enabling users of general-purpose financial reporting to assess the entity's current and planned responses to the decarbonisation-related risks and opportunities that can reasonably be expected to affect its enterprise value.

The Exposure Draft proposes that entities disclose information about the basis of the offsets' carbon removal (nature- or technology-based) and the third-party verification or certification scheme for the offsets. Carbon offsets can be based on avoided emissions. Avoided emissions are the potential lower future emissions of a product, service or project when compared to a situation where the product, service or project did not exist, or when it is compared to a baseline. Avoided-emission approaches in an entity's climate-related strategy are complementary to, but fundamentally different from, the entity's emission-inventory accounting and emission-reduction transition targets. The Exposure Draft therefore proposes to include a requirement for entities to disclose whether the carbon offset amount achieved is through carbon removal or emission avoidance.

The Exposure Draft also proposes that an entity disclose any other significant factors *necessary for users of general-purpose financial reporting to understand the credibility of the offsets used by the entity such as information about assumptions of the permanence of the offsets.*

(a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

(b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

(c) Do you think the proposed carbon offset disclosures will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

(d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general-purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Our response:

Real estate entities are at various stages in identifying, developing, and setting targets for transitioning to a lower carbon economy. To a large extent, only the largest and most sophisticated entities have set specific emissions targets and developed transition plans. As such, we suggest not including transition plans and carbon offsets as a baseline requirement. We encourage the ISSB to include these as optional requirements that could be phased in over time to allow entities to develop these processes.

Question 6: Current and anticipated effects

The Exposure Draft proposes requirements for an entity to disclose information about the anticipated future effects of significant climate-related risks and opportunities. The Exposure Draft proposes that, if such information is provided quantitatively, it can be expressed as a single amount or as a range. Disclosing a range enables an entity to communicate the significant variance of potential outcomes associated with the monetised effect for an entity; whereas if the outcome is more certain, a single value may be more appropriate.

The Exposure Draft proposes that an entity be required to disclose the effects of significant climate-related risks and opportunities on its financial position, financial performance and cash flows for the reporting period, and the anticipated effects over the short, medium and *long term—including how climate-related risks and opportunities are included in the entity's financial planning (paragraph 14). The requirements also seek to address potential measurement challenges by requiring disclosure of quantitative information unless an entity is unable to provide the information quantitatively, in which case it shall be provided qualitatively.*

(a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?

(b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?

(c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium, and long term? If not, what would you suggest and why?

Our response:

Our members have concerns with disclosing quantitative information about the anticipated effects of climate-related risks and opportunities and the impact on an entity's financial position and financial performance over the short, medium, and long term. In Canada, disclosure of this kind of information is governed under securities regulation as forward-looking information. As such, there are implications for reporting issuers when providing this information, particularly where these amounts are likely to change by material amounts from period to period.

While we agree that material climate-related risks and opportunities should be identified and disclosed, we are concerned that the wording around the time horizon is too vague and potentially far-reaching. Having entity-determined time horizons will lead to inconsistencies and not provide comparability from one entity to another. In addition, the further the time horizon, the more difficult it will be for entities to predict and quantify the impacts on financial position and performance. While this information may be relevant, the wide range of estimations required will decrease the reliability of such information.

We also question how useful information is when making medium- and long-term estimates where the period extends beyond a few years. This concept is well established in IFRS standards – such as IAS 36 that notes "*Detailed, explicit, and reliable financial budgets/forecasts of future cash flows for periods longer than five years are generally not available. For this reason, management's estimates of future cash flows are based on the most recent budgets/forecasts for a maximum of five years. Management may use cash* *flow projections based on financial budgets/forecasts over a period longer than five years if it is confident that these projections are reliable and it can demonstrate its ability, based on past experience, to forecast cash flows accurately over that longer period*."

In the current, rapidly changing environment where new innovative technologies are emerging, we believe it would be challenging to provide reliable forecasts for future periods. Due to the uncertainty and potential lack of reliability of the data, it is questionable whether such disclosures would be useful to the users. If users rely on the quantitative disclosures to make decisions, the potential lack of precision and reliability of these figures could negatively impact their decisions and could potentially expose entities to legal risks if actual results materially differ from estimates. We recognize that the Exposure Draft allows for the disclosure of ranges, rather than single amounts, however, the uncertainty in future financial metrics could cause the range of likely amounts to be excessively wide and therefore less meaningful or relevant. As a result, we do not agree with these additional disclosure requirements and recommend that quantitative disclosures be optional.

Question 7: Climate Resilience

The likelihood, magnitude and timing of climate-related risks and opportunities affecting an entity are often complex and uncertain. As a result, users of general-purpose financial reporting need to understand the resilience of an entity's strategy (including its business model) to climate change, factoring in the associated uncertainties. Paragraph 15 of the Exposure Draft therefore includes requirements related to an entity's analysis of the resilience of its strategy to climate-related risks.

The Exposure Draft proposes that an entity be required to use climate-related scenario analysis to assess its climate resilience unless it is unable to do so. If an entity is unable to use climate-related scenario analysis, it shall use an alternative method or technique to assess its climate resilience.

(a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?

(b) The Exposure Draft proposes that if an entity is unable to perform climate-related scenario analysis, that it can use alternative methods or techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

(i) Do you agree with this proposal? Why or why not?

> *(ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?*
>
> *(iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?*

(c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

(d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

(e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

Our response:

We disagree with requiring scenario analysis as a baseline expectation. As acknowledged in the Exposure Draft, this is an area of disclosure that is still evolving. There is a lack of consistency in an approach and methodology for developing disclosures for scenario analysis. This is an area where only the largest and most sophisticated companies will be able to meet the requirements.

We understand from our members that the modeling behind scenario analysis is highly subjective and can easily change by material amounts when performed by different service providers using the same data. In addition, the Intergovernmental Panel on Climate Change ("IPCC") reissues its model on scenario analysis annually to keep pace with the evolving science related to climate change. This further demonstrates the level of change taking place in this area. We question how entities can be expected to make meaning estimates in this ever changing and subjective area.

We suggest phasing in the requirement to provide scenario analysis over time, after entities have developed processes to disclose qualitative information first.

Question 8: Risk Management

An objective of the Exposure Draft is to require an entity to provide information about its exposure to climate-related risks and opportunities, to enable users of general-purpose financial reporting to assess the effects of climate-related risks and opportunities on the entity's enterprise value. Such disclosures include information for users to understand the *process, or processes, that an entity uses to identify, assess and manage not only climate-related risks, but also climate-related opportunities.*

Paragraphs 16 and 17 of the Exposure Draft would extend the remit of disclosures about risk management beyond the TCFD Recommendations, which currently only focus on climate-related risks. This proposal reflects both the view that risks and opportunities can relate to or result from the same source of uncertainty, as well as the evolution of common practice in risk management, which increasingly includes opportunities in processes for identification, assessment, prioritisation and response.

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Our response:
We suggest that the baseline for disclosures should be in alignment with the requirements of TCFD and not extend beyond them at this time.

Question 9: Cross-industry metric categories and greenhouse gas emissions

The Exposure Draft proposes incorporating the TCFD's concept of cross-industry metrics and metric categories with the aim of improving the comparability of disclosures across reporting entities regardless of industry. The proposals in the Exposure Draft would require an entity to disclose these metrics and metric categories irrespective of its particular industry or sector (subject to materiality). In proposing these requirements, the TCFD's criteria were considered.

To facilitate comparability despite the varied approaches allowed in the GHG Protocol, the Exposure Draft proposes that an entity shall disclose:

- *separately Scope 1 and Scope 2 emissions, for:*
    - *the consolidated accounting group (the parent and its subsidiaries);*
    - *the associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group; and*
- *the approach it used to include emissions for associates, joint ventures, unconsolidated subsidiaries or affiliates not included in the consolidated accounting group (for example, the equity share or operational control method in the GHG Protocol Corporate Standard).*

For Scope 3 emissions, the Exposure Draft proposes that:

• an entity shall include upstream and downstream emissions in its measure of Scope 3 emissions;

• an entity shall disclose an explanation of the activities included within its measure of Scope 3 emissions, to enable users of general purpose financial reporting to understand which Scope 3 emissions have been included in, or excluded from, those reported;

• if the entity includes emissions information provided by entities in its value chain in its measure of Scope 3 greenhouse gas emissions, it shall explain the basis for that measurement; and

• if the entity excludes those greenhouse gas emissions, it shall state the reason for omitting them, for example, because it is unable to obtain a faithful measure.

Aside from the GHG emissions category, the other cross-industry metric categories are defined broadly in the Exposure Draft. However, the Exposure Draft includes nonmandatory Illustrative Guidance for each cross-industry metric category to guide entities.

(a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

(b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general-purpose financial reporting.

(c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

(d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3— expressed in $CO2$ equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane ($CH4$) separately from nitrous oxide ($NO2$))?

(e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:

(i) the consolidated entity; and

(ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

(f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Our response:

We disagree with requiring separate disclosures for the consolidated entity and associates, joint ventures, unconsolidated subsidiaries, or affiliates not included in the consolidated accounting group. We believe that disclosures should be required only for entities within the consolidated group's control. We also note that there should be consistency between the boundaries of reporting entity for the ED of *IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2.

In addition, we disagree with the baseline required to include Scope 3 emissions for all entities. While we strive to develop an industry approach where we can disclose Scope 1, 2, and 3 GHG emissions in the future, only a few of the largest entities will be able to meet these requirements. Scope 2 emissions are often outside of owners' operational control (retail, industrial, apartments without submetering), or the data is difficult to organize (e.g., deep lake water cooling, district steam heat). Scope 3 is a new frontier for many of our members, particularly embedded carbon data in buildings.

A requirement to disclose Scope 3 GHG emissions is currently not feasible for many of our members and will take several years to implement. Many are hiring staff and consultants to develop the processes to collect and report this information. However, complications exist in setting boundaries and collecting data for these emissions. For many entities within the real estate industry, collecting data on Scope 3 emissions is challenging, as (in many cases) tenants only provide information on their energy use on a voluntary basis. This is further exacerbated by the lack of a formal, standardized methodology for reporting on Scope 3 emissions within the industry.

According to Appendix A of the Exposure Draft, some of the categories included in Scope 3 emissions are 1) purchased goods and services, 2) capital goods, 3) fuel- and energy-related activities not included in Scope 1 emissions or Scope 2 emissions, 4) waste generated in operations, 5) business travel and 6) employee commuting, amongst others. Due to the catch-all nature of Scope 3 emissions, we foresee that it would be very challenging to quantify these in a reliable manner at this time. Until challenges in scoping, collecting, and verifying these amounts have been addressed, we suggest that entities should not be required to disclose Scope 3 emissions.

In Canada, the current proposed securities law suggests potentially only requiring disclosures of Scope 1 GHG emissions by reporting issuers. This proposal recognizes the challenges in a market where there are a significant number of smaller entities that need time to advance their expertise in climate reporting. We are concerned that the disclosures proposed in the Exposure Draft do take into account smaller markets that will take years to catch up to other areas that are already at an advanced stage in their climate-reporting journey to a low carbon economy.

Question 10: Targets

Paragraph 23 of the Exposure Draft proposes that an entity be required to disclose information about its emission-reduction targets, including the objective of the target (for example, mitigation, adaptation or conformance with sector or science-based initiatives), as well as information about how the entity's targets compare with those prescribed in the latest international agreement on climate change.

The 'latest international agreement on climate change' is defined as the latest agreement between members of the United Nations Framework Convention on Climate Change (UNFCCC). The agreements made under the UNFCCC set norms and targets for a reduction in greenhouse gases. At the time of publication of the Exposure Draft, the latest such agreement is the Paris Agreement (April 2016); its signatories agreed to limit global warming to well below 2 degrees Celsius above pre-industrial levels, and to pursue efforts to limit warming to 1.5 degrees Celsius above pre-industrial levels. Until the Paris Agreement is replaced, the effect of the proposals in the Exposure Draft is that an entity is required to reference the targets set out in the Paris Agreement when disclosing whether or to what degree its own targets compare to the targets in the Paris Agreement.

(a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

(b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

Our response:

We think that requiring entities to provide disclosures using a framework that is not clearly definable is not the most appropriate basis for standard-setting. The fact that there is uncertainty as what should be followed – and that this could be in flux in the near term further exacerbates the issues we have noted around setting a baseline where only the largest and most advanced entities have the knowledge and expertise to understand and keep pace with.

Question 12: Costs, benefits, and likely effects

Paragraphs BC46–BC48 of the Basis for Conclusions set out the commitment to ensure that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

(c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Our response:

We disagree that the benefits outweigh the costs at this time for the majority of real estate entities and expect that only the largest and most sophisticated entities will have the resources to meet the minimum requirements in the proposed Exposure Draft.

We suggest providing a baseline of required disclosures that is more inclusive for smaller entities rather than targeting those that only the largest, most advanced entities can apply at the onset.

Question 14: Effective date

Because the Exposure Draft is building upon sustainability-related and integrated reporting frameworks used by some entities, some may be able to apply a retrospective approach to provide comparative information in the first year of application. However, it is acknowledged that entities will vary in their ability to use a retrospective approach.

Acknowledging this situation and to facilitate timely application of the proposals in the Exposure Draft, it is proposed that an entity is not required to disclose comparative information in the first period of application.

[Draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information requires entities to disclose all material information about sustainability-related risks and opportunities. It is intended that [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information be applied in conjunction with the Exposure Draft. This could pose challenges for preparers, given that the Exposure Draft proposes disclosure requirements for climate-related risks and opportunities, which are a subset of those sustainability-related risks and opportunities. Therefore, the requirements included in [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information could take longer to implement.

(a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

(b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

(c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Our response:

We agree that entities should not be required to disclose comparative information in the first period of application.

We think that the effective date of the Exposure Draft should be earlier than the IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information given the additional work that will be required in data gathering and disclosures.

We suggest an effective date that allows entities at least 2 years to implement any proposed requirements. This timeline assumes that the baseline of minimum disclosures would be reduced to better reflect the requirements under TCFD, and not require scenario analysis or Scope 2 and 3 GHG emissions. We suggest phasing in the requirements to allow smaller, less sophisticated preparers time to catch up in their climate-reporting journeys. We recommend requiring the governance and risk management requirements first and then phasing in other requirements under strategy and metrics and targets over several years. This will allow for the equitable implementation of the proposals for entities that need time to acquire the required resources and develop data collection, analysis, and verification tools to meet the requirements.

Question 16: Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value.

Other stakeholders are also interested in the effects of climate change. Those needs may be met by requirements set by others including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Our response:

As noted in our previous responses, we believe that this "global baseline" is not set at a reasonable level to allow most entities – except for the largest and most advanced in their climate-reporting journey – to meet the requirements.

As a baseline, we suggest using TCFD requirements as a model to be phased in. For example, the requirement could start with qualitative disclosures related to an entity's governance and risk management. The next phase could include qualitative disclosures around strategy and metrics and targets. The next phase could include requiring quantitative disclosures, including Scope 1 emissions and where information can be collected and reported on in a reliable manner, Scope 2 and 3. Under this approach, wording could be included in the standard to allow entities that are more advanced in their climate-reporting abilities to provide additional information. For example, the language in the standard could set the qualitative disclosures as a baseline – as "required" – while stating that quantitative disclosures could also be provided – for example, stating that entities "may" also provide quantitative amounts where they can meet the threshold of being able to provide these on a reliable basis.

Another option could be to set a market capitalization threshold for entities that are required to apply certain requirements. However, this may be a more difficult way to phase in the requirements and provide less flexibility for entities who may struggle with data collection and resources.

Question 16: Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

Our response:

Overall, we agree that climate-reporting disclosures should be improved to provide users and other stakeholders with relevant information. However, the pace of adoption of the proposed ISSB standard should reflect the ability of the global market to gradually report on the required disclosures. This includes taking into consideration the significant challenges faced by many entities in obtaining the resources and data to comply with the proposals.

For example, climate scenario analysis methodologies are still under development, and we believe that their potential to provide investment-grade information about asset-specific risks is currently limited. In addition, making the connection between financial and sustainability-related performance – while critical in the long term – remains challenging for the majority of our members. Real estate valuation firms, for example, have yet to explicitly internalize sustainability-related factors in asset valuations.

The exhaustiveness of the proposed IFRS S1 and S2 disclosures will require companies to hire qualified talent to handle the reporting process. New processes need to be developed to report on sustainability-related metrics, requiring new skills which are currently very limited in the Canadian market.

Entities face practical challenges in accessing reliable sustainability-related data (e.g., tenant-controlled energy consumptions are often difficult to obtain for building owners, thereby limiting real estate management entities' ability to provide reliable sustainability reporting on their assets to their investors).

Fully implementing the ISSB standards will require time for most of our members and as such we recommend an approach that will allow them to follow a gradual path to compliance.

Our comments regarding *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information*

Scope:

While we recognize the urgency and importance of the disclosures proposed in IFRS S1, the processes to collect, verify and report on all sustainability-related risks and opportunities to which entities are exposed are not yet developed for all but the largest and most sophisticated entities. For the standard to be applicable to all for-profit entities, regardless of whether they apply IFRS for financial reporting, there is a need to scale the standards to accommodate for the wide range of entities this will encompass.

In Canada, private entities and not-for-profits generally report under our local GAAP rather than IFRS. These frameworks are provided in recognition that these entities have different reporting needs and users than IFRS preparers. In many cases, these entities have no mechanisms in place to collect, verify, and report on climate or other sustainability-related information required by IFRS S1 and S2. Because many of these entities form part of the value chains for other larger and/or public entities, it becomes challenging for most entities to apply the proposed Exposure Drafts.

Reporting period:

We believe that the baseline requirement to report sustainability-related financial disclosures at the same time as its related financial statements and for the same reporting period as the financial statements is currently not feasible. Real estate companies that provide sustainability reports that include, for example, information on GHG emissions, typically release their reports 6 – 8 months after their annual financial reports. This timeline is based on when GHG emissions data is available and can be collected and verified.

As such, we suggest that the ISSB consider allowing a timing difference between the reporting period for sustainability information and reporting for financial statements. Without this timing difference, entities would be required to develop estimates on their sustainability information that could vary materially from actual results. In our viewpoint, this would result in sacrificing the reliability of information for the sake of timing.

We thank the Board for the opportunity to provide our input on the *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S2 Climate-related Disclosures* and *IFRS Sustainability Disclosure Standard Exposure Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information.* If you would like to discuss our comments, please contact Nancy Anderson, REALPAC's Vice President Financial Reporting and Chief Financial Officer, at 416-642-2700.

Respectfully submitted,

Nancy Anderson
Vice President, Financial Reporting and Chief Financial Officer