



To: International Sustainability Standards Board (ISSB)

London

[commentletters@ifrs.org](mailto:commentletters@ifrs.org)

**Re: (Draft) IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and (Draft) IFRS S2 Climate-related Disclosures**

Dear ISSB:

On behalf of our small- and medium-sized business members in manufacturing and other sectors of the Canadian economy, the Coalition of Concerned Manufacturers and Businesses of Canada (CCMBC) would like to express its extreme opposition to the IFRS proposals on ESG standards. Overall, this incredibly complex regime will create a red tape nightmare that will drive up the costs of doing business significantly at a time when inflation is already running rampant, create many unproductive costs and headaches for businesses and the economy generally and make little difference to the climate.

In Canada, about 50 per cent of GDP and the majority of net new job creation is represented by the small- and medium-sized business sector (SMEs). Red tape is a perennial concern for SMEs and the proposed ESG reporting standards represent a monumental increase in red tape for no discernable gain. It is not surprising that these complex standards are being endorsed by professional communities such as accountants, consultants, lawyers and regulatory bodies as this will greatly increase their workload and remuneration at the expense of the productive SME sector. Instead of supporting the ESG thrust, however, these professional communities should be sounding the alarm about how destructive, unworkable and unaffordable it will be to businesses and the economy overall. Estimates of added costs that will be incurred by SMEs for such requirements as scenario analyses, among other subjective items, are likely to put many firms out of business.

The subjectivity and guesswork involved in determining whether or not a given business is sufficiently in conformance with ESG standards is a huge problem in and of itself. We have already heard of differences of opinion from smaller businesses which were attempting to meet demands of large firms they had been supplying with goods and services for years but were suddenly deemed to be unacceptable suppliers as they supposedly were not in ESG compliance. Some small suppliers have effectively been asked to open their books by larger business

customers, creating problems with the disclosure of confidential competitive business information and the risk that ESG will be abused to obtain such information.

Internal contradictions within the ESG system proposals also raise questions as to the real objectives of advocates of the system. For example, a business that effectively produces nothing or very little and creates few if any jobs will have a high ESG score, but such a business is economically useless and does not increase prosperity or standards of living. ESG doesn't factor in vital considerations like geopolitical issues and energy security, serious problems that are now significantly disrupting the global economy. In Canada, the current federal government practices the glaring hypocrisy of imposing standards on domestic business that have a so-called "gender lens" (presumably part of the "S" in ESG), yet Canada continues to import significant amounts of oil from Saudi Arabia which would never remotely pass muster from a "gender" perspective.

The fact that some industries are treated preferentially compared to others under the proposed ESG standards is also unacceptable. When businesses in one industry sector are required to account for all of their emissions, why should a company manufacturing wind turbines be permitted to exclude the majority of their emissions that arise from the concrete portion of the wind turbine's structure? All emissions have the same impact and should be treated equally. The fact that emissions are treated differently depending on the industry involved suggests that this plan is not about climate at all but rather some political agenda. In addition, if climate was truly the only consideration, why should gross emissions be the metric, not net emissions, and the use of such technologies as carbon capture and storage not be factored in?

The requirement of the ESG regime for every business to be able to document such things as where every single item or service they sell originates, the emissions it generates, emissions it is likely to generate down the road depending on who purchases it and how they use it, is highly speculative and an impossible requirement for a small business. Imagine a small grocer with four employees trying to keep track of the provenance of everything they sell, the respective carbon footprint, emissions when it gets used by someone down the value chain, whether the product came from an area with high water stress, etc etc etc. The so-called Scope 1 emissions are bad enough, but Scope 2 and Scope 3 are ridiculous expectations as the business has absolutely no control over them. It is wholly inappropriate that an accounting standard, which should be based on factual, verifiable information only, is being expected to encompass the subjectivity and guesswork involved in Scope 2 and Scope 3. As a result, this entire system will be impossible to sensibly and economically deal with for a large business, let alone a small one. And about half of all businesses in Canada have fewer than five employees.

Another problem exists with the very legalistic nature of the ESG proposals. Naturally the Environmental Non-government Organizations (ENGOS) are all in favour of this, as they see a means of putting firms they don't like out of business, potentially on spurious grounds. You can be sure the ever-litigious ENGOS, often funded by tax dollars coming from the targeted businesses themselves, will be keen to sue any scofflaws into bankruptcy. It almost seems that a significant collapse of the SME sector is seen as a feature, not a bug, to the advocates of ESG.

Yet another consideration that undermines the purpose of this plan is that the countries such as China, India, Russia and others, some of the largest polluters on the planet, have no intentions of

imposing this foolishness on their own domestic businesses that compete with Canadian businesses.

At a time when the global economy is fragile at best, the imposition of a complex and costly ESG system that is difficult to understand and predict even by experts will add much uncertainty to business conditions that are already precarious, and uncertainty is one of the worst things for any business. It is refreshing to see some governments begin to push back against ESG plans by, for example, imposing punitive measures on banks that use ESG-related grounds to deny financing to businesses.

The notion that businesses must conform to some rigid set of top-down standards to be responsible corporate citizens is a false premise. Virtually all SMEs engage in responsible business practices as they are typically closely tied in with their local communities, customers and suppliers. “Bad actors” are usually weeded out by the marketplace and existing sets of laws and regulations around proper, responsible conduct. The notion that some immense regulatory mechanism with an enormous and expensive bureaucracy to administer it is needed to ensure SMEs are adhering to reputable environmental, social and governance behaviours is more likely to provide an incentive to game the system and find ways to avoid this costly complexity rather than achieve the supposed ESG goals.

The vast majority of Canadian SMEs, and those in other countries as well, have no idea what is in store for them with these new requirements. It is likely the entire ESG regime will collapse under its own weight when businesses small and large, as well as consumers, understand the costs and complexities that will be required. However, much damage and wealth destruction will happen in the meantime if the ESG standards proceed. Geopolitical and economic realities in Europe and the abject failure of past policies favouring wind and solar power generation over reliable and low-cost fossil fuels and nuclear have already wreaked havoc with energy security and inflation in the price of basic commodities, imposing harsh realities on populations that previously bought into the fantasy that the transition to more “green” energy sources would be pleasant and painless. A looming global recession will worsen these pressures. The best course of action would be to abandon the current plans for a complex and costly ESG regime and pursue more manageable and practical means of achieving measurable, tangible and objective climate remedies.

Sincerely,

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