

July 28th, 2022

Attention: Mr. Emmanuel Faber

Chair, International Sustainability Standards Board

Submitted electronically through the IFRS Foundation website (www.ifrs.org)

Re: IFRS First Draft of ISSB's New Sustainability and Climate Disclosure Standards

Dear Mr. Faber,

We are pleased to respond to the International Sustainability Standards Board's (ISSB) request for comments regarding the Exposure Drafts on disclosures of sustainability and climate-related information.

Electricity Canada is a national trade association representing 42 organizations involved in the generation, transmission, distribution, and marketing of electricity in Canada, as well as leading manufacturers and suppliers to the industry.

Electricity Canada's Finance and Accounting Committee, Legal Committee, and Sustainable Electricity Steering Committee, together including representatives from more than 35 of our member organizations, have reviewed the Proposed Instrument and appreciate the opportunity to provide constructive feedback.

Electricity Canada appreciates the alignment with the international movement toward the integration of Task Force on Climate-Related Financial Disclosures, the Sustainability Accounting Standards Board, as well as various other international standards.

Electricity Canada is supportive of the objective to provide a comprehensive global baseline of sustainability disclosures for investors in global capital markets to use when assessing the value of companies. We offer the following comments on three key areas of concern: 1) materiality, 2) climate-related disclosures, and 3) electricity sector specific guidance.

IFRS S1 – Materiality

Electricity Canada supports the General Requirements standard which would require companies to disclose information about their material sustainability-related risks and opportunities. Electricity Canada is supportive of the current definition of materiality which stipulates "sustainability-related financial information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity."

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With this in mind, Electricity Canada members would request further clarification regarding the dependencies involved in this, specifically how materiality disclosure requirements would play out with other regulations, and how the various pieces will interact.

IFRS S2 – Climate-Related Disclosures

While many of Electricity Canada member companies already disclose their scope 1 and 2 emissions, scope 3 emissions are particularly challenging to assess and require more time to develop and implement appropriate reporting frameworks. Further clarity and consistency are needed for companies to identify what to include in scope 3 reporting and how to consistently collect and estimate scope 3 emissions data. Work also must be done to determine how these emissions can be effectively monitored while avoiding double counting.

Electricity Canada disagrees with the proposal in Exposure Draft S2 and does not support the inclusion of scope 3 disclosure at this time. Instead, we support a phased-in approach to scope 3 emissions accounting. This would allow scope 3 frameworks and methodologies to mature and become more consistent and reliable, as well as lead to more meaningful comparisons between organizations.

Further, Electricity Canada members support further standardization in the area of scenario analysis. Without standard processes and assumptions, scenario analysis will not be comparable between different disclosures. We encourage further standardization and implementation of sector-specific guidance before scenario analysis becomes a required area of disclosure.

IFRS S2 - Electricity Sector Specific Guidance (Appendix B, Volume B32)

Electricity Canada has the following comments on the industry-based requirements specific to Electric Utilities & Power Generators (Appendix B, Volume B32).

The information outlined in *Table 1: Sustainability Disclosure Topics & Metrics* of the proposed Electric Utilities & Power Generators sector-specific disclosure requirements is generally aligned with the sustainability information currently published by our members through integrated financial reports, sustainability reports and/or through their public websites.

However, confidential information must be excluded from sustainability disclosure metrics. For example, Nuclear Safety and Emergency Management metrics must exclude disclosure of confidential information, including information related to Peer Reviews.

Therefore, Electricity Canada supports the inclusion of the confidentiality-related limitations to the proposed industry-based requirements.

Timelines

We understand that ISSB will aim to finalise the two IFRS Sustainability Disclosure Standards by the end of 2022. During re-deliberations, the ISSB will consider the effective dates of the Standards and once the Standards are issued, the requirements would be available for immediate voluntary adoption.



ISSB should also consider how the new Standards will align with those currently proposed by local securities administrators, such as the Canadian Securities Administrators and the U.S. Securities and Exchange Commission, to ensure the respective timelines complement one another.

The ISSB will play an important role in encouraging international harmonization. However, the ISSB should seek to avoid creating greater uncertainty regarding near-term changes to local reporting requirements. As the proposed standards are not enforceable, the ISSB's efforts will be most successful and meaningful by aligning with the projects of local securities administrators that are already underway.

Electricity Canada members' sustainability reports are generally published later in the year than financial statements, due in part to the nature of collecting the data required to report accurate GHG emissions and other sustainability metrics. Further, this proposed annual reporting timeline creates an additional burden to the already demanding and time-sensitive financial reporting cycle. This is particularly problematic in the early years of implementation of the new standards, and for companies who have not yet adopted other sustainability- or climate-related disclosure standards, as companies will need to adjust to the timing and methods of the collection and reporting processes for the new disclosures.

Consequently, Electricity Canada supports a phase-in period, with flexibility on reporting time in the early years of implementation, in order to accommodate the learning curve of issuers and provide time for the industry to adjust its processes in order to meet the reporting requirements proposed in the Exposure Drafts.

We thank you for this opportunity to comment on the Exposure Drafts. Should you have any questions or require any additional information about our comments, please contact Shahrzad Simab, Electricity Canada's Manager of Climate Change & Sustainability. Shahrzad may be contacted as follows:

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Sincerely,

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