



Canadian Investor  
Relations Institute (CIRI)  
PO Box 76053  
Oakville, ON L6M 3H5  
Canada

[CIRI.org](http://CIRI.org)

July 28, 2022

Emmanuel Faber, Chair  
Suzanne Lloyd, Vice-Chair  
International Sustainability Standards Board  
Email: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

Dear Mr. Faber and Ms. Lloyd,

**Re: IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information**

The Canadian Investor Relations Institute (CIRI), a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community, is pleased to provide comments on the *IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information* (Exposure Draft). CIRI membership represents more than 230 non-investment fund reporting issuers with a combined market capitalization of \$1.9 trillion. More information about CIRI is provided in Appendix A.

**General Comments**

CIRI appreciates the opportunity to review and provide comments regarding the Exposure Draft and commends the International Financial Reporting Standards (IFRS) and International Sustainability Standards Boards (ISSB) for working towards a single framework that would provide consistent, complete and comparable sustainability-related disclosure. A single framework would be particularly welcome by issuers who currently tend to report under a number of different sustainability frameworks and, in some cases, even issue multiple sustainability-related reports.

**Issues of Concern**

CIRI has identified two issues of major concern in the Exposure Draft. The first relates to confusion around using the term 'significant' to describe sustainability-related risks and opportunities. It is unclear how 'significant' would be defined or measured. CIRI suggests that 'significant' be replaced by 'material', which is a clearly defined and understood concept as it relates to issuer disclosure.

The second issue is the timing for reporting. It takes issuers a considerable amount of time to collect, analyze, address inconsistencies and report sustainability-related information, especially GHG emissions. It would be difficult for issuers to report all sustainability-related financial disclosures for the same period and at the same time as the related financial statements. As a potential solution, issuers should be given up to six months to prepare and publish sustainability-related financial disclosure. In time, as processes become more efficient, we expect the timing gap would narrow or be eliminated.



## Questions

CIRI has chosen to address select questions as identified below. While we refer to *reporting entities* in our responses, consistent with the terminology used in the Exposure Draft, our views relate specifically to publicly listed issuers.

**Q1.** *The Exposure Draft sets out overall requirements with the objective of disclosing sustainability-related financial information that is useful to the primary users of the entity's general purpose financial reporting when they assess the entity's enterprise value and decide whether to provide resources to it.*

*Proposals in the Exposure Draft would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value.*

*Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?*

As mentioned above, there is confusion around the use of the word 'significant' as it relates to sustainability-related risks and opportunities. CIRI strongly encourages the ISSB to address this by changing 'significant' to 'material' so that reporting entities "*disclose material sustainability-related risks and opportunities to which it is exposed*". The concept of 'material' is well understood by issuers and investors, key producers and users of the underlying disclosure.

*Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?*

Once the terminology regarding sustainability-related risks and opportunities is changed from 'significant' to 'material', the disclosure requirements will become clearer and will therefore meet the proposed objective.

**Q2.** *The Exposure Draft sets out proposed requirements for entities to disclose sustainability-related financial information that provides a sufficient basis for the primary users of the information to assess the implications of sustainability-related risks and opportunities on an entity's enterprise value.*

*Enterprise value reflects expectations of the amount, timing and uncertainty of future cash flows over the short, medium and long term and the value of those cash flows in the light of the entity's risk profile, and its access to finance and cost of capital.*

*Information that is essential for assessing the enterprise value of an entity includes information in an entity's financial statements and sustainability-related financial information.*

*Sustainability-related financial information is broader than information reported in the financial statements that influences the assessment of enterprise value by the primary users. An entity is required to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Sustainability-related financial information should, therefore, include information about the entity's governance of and strategy for addressing sustainability-related risks and opportunities and about decisions made by the entity that could result in future inflows and outflows that have not yet met the criteria for recognition in the related financial statements.*

*Sustainability-related financial information also depicts the reputation, performance and prospects of the entity as a consequence of actions it has undertaken, such as its relationships with, and impacts and dependencies on, people, the planet and the economy, or about the entity's development of knowledge-based assets.*

*The Exposure Draft focuses on information about significant sustainability-related risks and opportunities that can reasonably be expected to have an effect on an entity's enterprise value.*

- a. *Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?*

CIRI suggests the following changes be made to the terminology to make it clearer: An entity is required to disclose information about all of the material ~~information about all of the significant~~ sustainability-related risks and opportunities to which it is exposed.

- b. *Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?*

Yes, the definition of 'sustainability-related financial information' is clear.

**Q4.** *The Exposure Draft includes proposals that entities disclose information that enables primary users to assess enterprise value. The information required would represent core aspects of the way in which an entity operates.*

*This approach reflects stakeholder feedback on key requirements for success in the Trustees' 2020 consultation on sustainability reporting, and builds upon the well-established work of the TCFD.*

#### **Governance**

*The Exposure Draft proposes that the objective of sustainability-related financial disclosures on governance would be: to enable the primary users of general purpose financial reporting to understand the governance processes, controls and procedures used to monitor and manage significant sustainability-related risks and opportunities.*

#### **Strategy**

*The Exposure Draft proposes that the objective of sustainability-related financial disclosures on strategy would be: to enable users of general purpose financial reporting to understand an entity's strategy for addressing significant sustainability-related risks and opportunities.*

#### **Risk management**

*The Exposure Draft proposes that the objective of sustainability-related financial disclosures on risk management would be: to enable the users of general purpose financial reporting to understand the process, or processes, by which sustainability-related risks and opportunities are identified, assessed and managed. These disclosures shall also enable users to assess whether those processes are integrated into the entity's overall risk management processes and to evaluate the entity's overall risk profile and risk management processes.*

#### **Metrics and targets**

*The Exposure Draft proposes that the objective of sustainability-related financial disclosures on metrics and targets would be: to enable users of general purpose financial reporting to understand how an entity measures, monitors and manages its significant sustainability-related risks and opportunities. These disclosures shall enable users to understand how the entity assesses its performance, including progress towards the targets it has set.*

- a. *Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?*

The objectives for governance, strategy, risk management and metrics and targets refer to 'significant' sustainability-related risks. Again, CIRI strongly encourages the ISSB to change all references of 'significant' to 'material' as it relates to sustainability-related risks and opportunities. Aside from that, the disclosure objectives are clearly defined.

- b. *Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?*

Yes, the disclosure requirements for governance, strategy, risk management and metrics and targets are appropriate.

**Q5.** *The Exposure Draft proposes that sustainability-related financial information would be required to be provided for the same reporting entity as the related general purpose financial statements.*

*The Exposure Draft proposals would require an entity to disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. Such risks and opportunities relate to activities, interactions and relationships and use of resources along its value chain such as:*

- *its employment practices and those of its suppliers, wastage related to the packaging of the products it sells, or events that could disrupt its supply chain;*
- *the assets it controls (such as a production facility that relies on scarce water resources);*
- *investments it controls, including investments in associates and joint ventures (such as financing a greenhouse gas-emitting activity through a joint venture); and*
- *sources of finance.*

*The Exposure Draft also proposes that an entity disclose the financial statements to which sustainability-related financial disclosures relate.*

- a. *Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?*

Yes, material sustainability-related financial information should be for the same reporting entity as the related financial statements.

- b. *Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?*

At this time, it is difficult to say whether this requirement can be applied consistently. Reporting entities will likely need to go through the process of applying the requirement to different situations to confirm whether it can be applied consistently or to identify any issues they encounter.

- c. *Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?*

Yes, they must be identified as the related financial statements to be clear and useful for investors.

**Q6.** *The Exposure Draft proposes that an entity be required to provide users of general purpose financial*

reporting with information that enables them to assess the connections between (a) various sustainability-related risks and opportunities; (b) the governance, strategy and risk management related to those risks and opportunities, along with metrics and targets; and (c) sustainability-related risks and opportunities and other information in general purpose financial reporting, including the financial statements.

- a. *Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?*
- b. *Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?*

The requirement for making connections between the sustainability-related risks and opportunities and between the sustainability-related risks and opportunities to the related financial reporting/statements is unclear. CIRI suggests that the initial focus should be on disclosing material sustainability-related risks and opportunities and then looking at the need for making connections in future updates.

**Q7.** *The Exposure Draft proposes that a complete set of sustainability-related financial disclosures would be required to present fairly the sustainability-related risks and opportunities to which an entity is exposed. Fair presentation would require the faithful representation of sustainability-related risks and opportunities in accordance with the proposed principles set out in the Exposure Draft. Applying IFRS Sustainability Disclosure Standards, with additional disclosure when necessary, is presumed to result in sustainability-related financial disclosures that achieve a fair presentation.*

*To identify significant sustainability-related risks and opportunities, an entity would apply IFRS Sustainability Disclosure Standards. In addition to IFRS Sustainability Disclosure Standards to identify sustainability-related risks and opportunities, the entity shall consider the disclosure topics in the industry-based SASB Standards, the ISSB's non-mandatory guidance (such as the CDSB Framework application guidance for water- and biodiversity-related disclosures), the most recent pronouncements of other standard-setting bodies whose requirements are designed to meet the needs of users of general purpose financial reporting, and sustainability-related risks and opportunities identified by entities that operate in the same industries or geographies.*

*To identify disclosures, including metrics, that are likely to be helpful in assessing how sustainability-related risks and opportunities to which it is exposed could affect its enterprise value, an entity would apply the relevant IFRS Sustainability Disclosure Standards. In the absence of an IFRS Sustainability Disclosure Standard that applies specifically to a sustainability-related risk and opportunity, an entity shall use its judgement in identifying disclosures that (a) are relevant to the decision-making needs of users of general purpose financial reporting; (b) faithfully represent the entity's risks and opportunities in relation to the specific sustainability-related risk or opportunity; and (c) are neutral. In making that judgement, entities would consider the same sources identified in the preceding paragraph, to the extent that they do not conflict with an IFRS Sustainability Disclosure Standard.*

- a. *Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?*

Yes, this is clear.

**Q8.** *The Exposure Draft defines material information in alignment with the definition in IASB's Conceptual Framework for General Purpose Financial Reporting and IAS 1. 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’.*

*However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value.*

*Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date. The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users’ information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1.*

*The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction.*

- a. *Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?*

*Yes, the definition and application of materiality are clear.*

- b. *Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?*

*Yes, it is expected that the definition and application of materiality will capture the sustainability-related risks and opportunities relevant to enterprise value for the issuer.*

- d. *Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?*

*Yes, it is reasonable for an issuer to be relieved from disclosing information if local laws or regulations prohibit such disclosure.*

**Q9.** *The Exposure Draft proposes that an entity be required to report its sustainability-related financial disclosures at the same time as its related financial statements, and the sustainability-related financial disclosures shall be for the same reporting period as the financial statements.*

*Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?*

*We do not agree. As mentioned above, this is an area of concern for CIRI and its members. Given the time it takes for reporting entities to collect, analyze, address inconsistencies and report sustainability-related information, especially GHG emissions, it is difficult to make this disclosure at the same time as the related financial statements. The ISSB is strongly urged to allow sustainability-related financial disclosure to be made up to six months after its related financial statements to accommodate these processes. In time, as processes*

become more efficient, we expect the timing gap would narrow or be eliminated.

**Q10.** *The Exposure Draft proposes that an entity be required to disclose information required by the IFRS Sustainability Disclosure Standards as part of its general purpose financial reporting—ie as part of the same package of reporting that is targeted at investors and other providers of financial capital.*

*However, the Exposure Draft deliberately avoids requiring the information to be provided in a particular location within the general purpose financial reporting so as not to limit an entity’s ability to communicate information in an effective and coherent manner, and to prevent conflicts with specific jurisdictional regulatory requirements on general purpose financial reporting.*

*The proposal permits an entity to disclose information required by an IFRS Sustainability Disclosure Standard in the same location as information disclosed to meet other requirements, such as information required by regulators. However, the entity would be required to ensure that the sustainability-related financial disclosures are clearly identifiable and not obscured by that additional information.*

*Information required by an IFRS Sustainability Disclosure Standard could also be included by cross-reference, provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced. For example, information required by an IFRS Sustainability Disclosure Standard could be disclosed in the related financial statements.*

*The Exposure Draft also proposes that when IFRS Sustainability Disclosure Standards require a disclosure of common items of information, an entity shall avoid unnecessary duplication.*

- a. *Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?*

Yes, CIRI agrees that reporting entities should have the ability to communicate the required information where they see fit.

- b. *Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?*

No.

- c. *Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?*

Yes, CIRI agrees that reporting entities should have the ability to cross-reference information; however, the issue of timing should be revisited as it is not possible for reporting entities to provide sustainability-related financial disclosures for the same period and at the same time as the related financial statements.

- d. *Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?*

Yes, it is clear that reporting entities should attempt to integrate disclosures on governance, strategy

and risk management.

**Q11.** *The Exposure Draft sets out proposed requirements for comparative information, sources of estimation and outcome uncertainty, and errors. These proposals are based on corresponding concepts for financial statements contained in IAS 1 and IAS 8.*

*However, rather than requiring a change in estimate to be reported as part of the current period disclosures, the Exposure Draft proposes that comparative information which reflects updated estimates be disclosed, except when this would be impracticable —ie the comparatives would be restated to reflect the better estimate.*

*The Exposure Draft also includes a proposed requirement that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements, to the extent possible.*

- c. *Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?*

Yes, CIRI agrees that it is important to have consistency of financial data and assumptions in both the sustainability-related financial disclosure and related financial statements.

That said, there may be some assumptions where it may not be feasible for sustainability-related financial disclosures to be consistent with corresponding financial disclosure, for example assumptions on what constitutes short, medium and long term for climate-related matters.

**Q12.** *The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.*

*The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.*

*Do you agree with this proposal? Why or why not? If not, what would you suggest and why?*

Yes, it seems reasonable that the issuer comply with the proposals and include a statement indicating that it has done so but also allow reporting entities relief as described to account for prohibitions by local laws and regulations.

**Q13.** *The Exposure Draft proposes allowing entities to apply the Standard before the effective date to be set by the ISSB. It also proposes relief from the requirement to present comparative information in the first year the requirements would be applied to facilitate timely application of the Standard.*

- a. *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, those using the sustainability-related financial disclosures and others.*

Given that this is a voluntary standard, setting the effective date one year from the final ISSB





standards being issued should be sufficient.

**Q14.** *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 sustainability-related risks and opportunities. 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?*

In an effort to streamline and standardize sustainability-related frameworks to achieve consistent, complete and comparable reporting, CIRI believes that country regulators should adopt ISSB standards as regulation. At this time, we do not see any aspects in the Exposure Draft that would limit ISSB standards from being used in the manner proposed.

**Q16.** *The ISSB is committed to ensuring 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?*

With the implementation of ISSB standards, we move closer to consistent, complete and comparable reporting, particularly if these standards are adopted by country regulators. That said, it does come at a cost to reporting entities. The ISSB reporting requirements are more robust than current practices and therefore would require more human resources, staff time and potentially third-party consulting to implement. Any requirement by regulators for third-party assurance will also add to the expense and time required.

- b. *Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?*

While reporting entities may refine their processes over time, the costs associated with increased resources, staff time and potentially assurance can be expected to continue to increase indefinitely.

CIRI appreciates the opportunity to provide comments on the Exposure Draft and commends the IFRS and ISSB for spearheading standardized sustainability reporting in an effort to achieve consistent, complete and comparable reporting.

Sincerely yours,

*Yvette Lokker*

Yvette Lokker  
President & Chief Executive Officer  
Canadian Investor Relations Institute



## Appendix A

### **The Canadian Investor Relations Institute**

The Canadian Investor Relations Institute (CIRI) is a professional, not-for-profit association of executives responsible for communication between public corporations, investors and the financial community. CIRI contributes to the transparency and integrity of the Canadian capital market by advancing the practice of investor relations, the professional competency of its members and the stature of the profession.

### **Investor Relations Defined**

*Investor relations is the strategic management responsibility that integrates the disciplines of finance, communications, marketing, securities law compliance and sustainability to achieve an effective flow of information between a company, the investment community and other stakeholders, in order to support an informed valuation of the company's securities and enable fair and efficient capital markets.*

The practice of investor relations involves identifying, as accurately and completely as possible, current shareholders as well as potential investors and key stakeholders and providing them with publicly available information that facilitates knowledgeable investment decisions. The foundation of effective investor relations is built on the highest degree of transparency in order to enable reporting issuers to achieve prices in the marketplace that accurately and fully reflect the fundamental value of their securities.

CIRI is led by an elected Board of Directors of senior IR practitioners, supported by a staff of experienced professionals. The senior staff person, the President and CEO, serves as a continuing member of the Board. Committees reporting directly to the Board include: Human Resource and Corporate Governance; Audit; Membership; and Issues.

CIRI Chapters are located across Canada in Ontario, Quebec, Alberta and British Columbia. Membership is close to 500 professionals serving as corporate investor relations officers in approximately 200 reporting issuer companies, consultants to issuers or service providers to the investor relations profession.

CIRI is a founding member of the Global Investor Relations Network (GIRN), which provides an international perspective on the issues and concerns of shareholders in capital markets beyond North America. The President and CEO of CIRI has been a member of the Continuous Disclosure Advisory Committee (CDAC) of the Ontario Securities Commission. In addition, several members, including the President and CEO of CIRI, are members of the National Investor Relations Institute (NIRI), the corresponding professional organization in the United States.