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June 16, 2022

Securities and Exchange Commission  
c/o Vanessa A. Countryman, Secretary  
100 F Street NE  
Washington, DC 20549-109

Re: File No. S7-10-22

Dear Mr. Gensler,

**Re: Proposed rule: The Enhancement and Standardization of Climate-Related Disclosures**

This letter is the response of the [Canadian Accounting Standards Board](http://www.frascanada.ca) (AcSB) to the Securities and Exchange Commission (“SEC” or “Commission”) Proposed rule, “*The Enhancement and Standardization of Climate-Related Disclosures*” (ED) issued in March 2022.

**Who we are**

The Accounting Standards Board (AcSB) is an independent body with the authority to establish accounting standards for use by all Canadian entities outside the public sector. We serve the public interest by establishing standards for financial reporting by all Canadian private sector entities and by contributing to the development of internationally accepted financial reporting standards. As a jurisdiction with very close ties to US markets, we are keenly interested in reporting standards that affect Canadian businesses.

**Our process**

This response letter represents the views of the AcSB members and staff based on their knowledge and experience. In developing our response, we consulted with local stakeholders impacted by the proposals.

Our response does not seek to address all the questions posed in the Proposed rule. Instead, this letter focuses on specific aspects that are relevant to Canadian Foreign Private Issuers (FPI) subject to both Canadian and US regulation, and the potential impact of the proposals on those entities.

## Our view

The AcSB appreciates the opportunity to comment on the Proposed rule as we support all efforts to improve the quality of financial information that Canadian investors in US listed entities rely on to make decisions. Through our own consultations, we have observed the growing demand for disclosure of sustainability information from and for a broader range of stakeholders. To this effect, we continue to support initiatives for investors to receive appropriate disclosure on climate-related matters without unduly increasing regulatory burden on Canadian entities.

### *Canadian landscape*

In Canada, there are approximately 300 FPIs representing over \$1 trillion in market capitalization. A majority of these entities use the option provided by the SEC to prepare their financial statements in accordance with IFRS as issued by the IASB, which is the common reporting framework for publicly accountable enterprises in Canada. In addition, many of these entities file their annual report using Form 40-F instead of Form 10-K. As noted above, these entities are subject to both US and Canadian regulation, including sustainability-related reporting requirements currently being contemplated by the Canadian Securities Administration (CSA).

### *Interaction of the SEC Proposed rule with future climate-related disclosure standards in Canada and globally*

In November 2021, the IFRS Foundation announced the formation of a new International Sustainability Standards Board (ISSB) to develop—in the public interest—a comprehensive global baseline of high-quality sustainability disclosure standards to meet investors’ information needs. Subsequently, the ISSB issued two Exposure Drafts: [IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information](#) and [IFRS S2, Climate-related Disclosures](#).

In Canada, the Independent Review Committee on Standard Setting ([IRCSS](#)) released its [consultation paper](#) recommending the establishment of a Canadian Sustainability Standards Board (CSSB). The IRCSS stated that the new board would work alongside Canada’s existing standards boards and liaise with the ISSB, ensuring that the Canadian perspective, including those of FPIs is part of international decision making.

In April 2022, the ISSB formed a working group composed of representatives from several jurisdictions actively engaged in standard-setting on sustainability. This working group was designed to discuss compatibility of differing global initiatives on sustainability to establish a global baseline that fully responds to the information needs of investors. The SEC is a member of this working group.

### *Paragraph 189 of the SEC Proposed rule*

In paragraph 189 the SEC acknowledges the formation of the International Sustainability Standards Board (“ISSB”) and the expectation of this Board to issue global sustainability standards, including climate-related disclosure standards. We strongly support consistent and comparable reporting in Canada and globally and



appreciate that the SEC's proposed rule on climate-related disclosures and the ISSB's proposals in [IFRS S2, Climate Related Disclosures](#), are consistent with the TCFD recommendations. We also see an opportunity, as the SEC is a member of the ISSB's working group to establish a global baseline for sustainability standards, to remain aligned globally on this important reporting initiative. This will limit the potential for added regulatory burden on entities cross-listed on both US and Canadian exchanges.

#### *Paragraph 181 of the SEC Proposed rule*

In paragraph 181 of the proposed rule, the SEC is proposing to not amend Form 40-F, the Exchange Act form used by a Canadian issuer eligible to report under the Multijurisdictional Disclosure System (MJDS) to register securities or to file its annual report under the Exchange Act, to include the proposed climate-related disclosure requirements.

We strongly support the SEC's position to not amend Form 40-F. We think the SEC should continue to allow Canadian FPIs that report under MJDS to comply with Canadian climate-related disclosure requirements.

Canadian securities regulation is well-established, rigorous, and internationally respected, with the Canadian securities regulators being active members of the International Organization of Securities Commissions (IOSCO). We anticipate the same high quality of reporting will be established for climate-related disclosures in Canada. In particular, we highlight the CSA's recent proposed National Instrument [NI 51-107](#), in which the CSA proposed rules for Canadian publicly accountable enterprises' climate-related disclosures to also be based on TCFD recommendations.

MJDS was established in 1991 to reduce the barriers to cross-border investments and continues to operate effectively. It allows investors to receive high quality information from Canadian FPIs largely following Canadian reporting requirements. It also alleviates the regulatory burden on preparers of financial statements of complying with two differing jurisdictional requirements. We strongly believe this system should not be altered for climate-related disclosures if the basis for regulation in both our jurisdictions are on the same TCFD aligned principles.

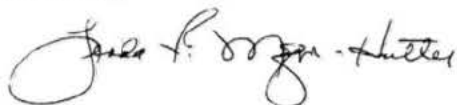
#### *Financial Impact Metrics*

In the Financial Impact Metrics section, the SEC is proposing registrants disclose the financial impacts of severe weather events, other natural conditions, transition activities, and identified climate-related risks on the consolidated financial statements unless the impact is less than 1% of the total line item for the relevant fiscal year. We have heard concerns with this proposal and the possible inconsistency with financial statement materiality. Therefore, we urge the SEC to consult registrants and auditors on this proposal to ensure that sufficient feedback is obtained in this area.

We would be pleased to elaborate on our comments in more detail if you require. If so, please contact me or, alternatively, Katharine Christopoulos, Director, Accounting Standards [REDACTED]

[REDACTED] or Mohamed Hassanali, Associate Director, Accounting Standards [REDACTED]  
[REDACTED]

Yours truly,



Linda F. Mezon-Hutter, FCPA, FCA, CPA (MI), CGMA  
Chair, Canadian Accounting Standards Board  
[REDACTED]

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#### **About the Canadian Accounting Standards Board**

We are an independent body with the legal authority to establish accounting standards for use by all Canadian publicly accountable enterprises, private enterprises, not-for-profit organizations and pension plans in the private sector. We are comprised of a full-time Chair and volunteer members from a variety of backgrounds, including financial statement users, preparers, auditors and academics; a full-time staff complement supports our work.

#### **Our standards**

We have adopted IFRS® Standards as issued by the IASB for publicly accountable enterprises. Canadian securities legislation permits the use of U.S. GAAP in place of IFRS Standards in certain circumstances. We support a shared goal among global standard setters of high-quality accounting standards that result in comparable financial reporting outcomes regardless of the GAAP framework applied.

We developed separate sets of accounting standards for private enterprises, not-for-profit organizations and pension plans. Pension plans are required to use the applicable set of standards. Private enterprises and not-for-profit organizations can elect to apply either the set of standards developed for them, or IFRS Standards as applied by publicly accountable enterprises.

#### **Our role vis-à-vis IFRS Standards**

Our responsibility to establish Canadian GAAP necessitates an endorsement process for IFRS Standards. We evaluate and rely on the integrity of the IASB's due process as a whole, and monitor its application in practice. In addition, we perform our own due process activities for each new or amended IFRS Standard to ensure that the standard is appropriate for application in Canada. We reach out to Canadians on the IASB's proposals to understand and consider their views before deciding whether to endorse a final IFRS Standard. A final standard is available for use in Canada only after we have endorsed it as Canadian GAAP.