

Canadian Sustainability Disclosure Standards Engagement – RMA Member Guide

Background

The [Canadian Sustainability Standards Board](#) (CSSB) is a body established by Financial Reporting & Assurance Standards Canada (FRAS). In their own words, the CSSB “works to advance the adoption of sustainability disclosure standards in Canada. The CSSB develops Canadian Sustainability Disclosure Standards (CSDS) that align with the global baseline standards developed by the International Sustainability Standards Board (ISSB) – but with modifications to serve the Canadian public interest.”

The CSSB is currently consulting on the development of two new [Canadian Sustainability Disclosure Standards](#) (CSDSs). The proposed CSDSs are based on two standards issued by the [International Sustainability Standards Board](#) (ISSB), with the CSSB proposing changes to adapt them to the Canadian context.

What do the CSDSs say?

The proposed CSDSs would require “entities”, which is not clearly defined, to provide data on their sustainability and climate risks and opportunities. Based on information available in the consultation documents, the RMA believes the CSDSs could be applied to municipalities. The details of what specifically would be required to complete the two types of disclosures are not available.

Although “sustainability” as it pertains to disclosure standards is described as encompassing the wider environmental and social impacts that may affect an entity’s governance, strategy, risk management and performance, the term is not expressly defined by the CSSB. This lack of clarity was also identified by the CSSB in the ISSB’s exposure draft 1. The stated intent for implementing rules requiring this reporting are to align with global standards which are increasingly requested by investors and for a standard to be in place to support entities already engaging in this style of reporting.

Municipalities and rural businesses will likely face significant challenges in complying with the CSDSs. For example, it is unclear what specific data will be required, and how it will be reported. Depending on the level of data required, many smaller entities will struggle to collect and analyse the data. Additionally, the CSDSs require that an entity establish a governance structure to oversee their reporting. This would result in increased administrative work to staff and support.

While the two specific standards are similar, they do have some notable differences. Each are summarized as follows:

- ♦ [Proposed CSDS 1](#): General Requirements for Disclosure of Sustainability Financial Information – this proposal would require entities to disclose information about their **sustainability-related** risks and opportunities that would be useful to those seeking to buy/sell shares, provide loans, or exercise a vote on the direction of the entity. If adopted, reporting would begin on Jan 1, 2027. Sustainability-related risks and opportunities are not well defined in consultation material. However, the consultation material reference that sustainability risks and opportunities relate to how an entity exists within the social, economic, and natural environment.

- ♦ **Proposed CSDS 2:** Climate-related Disclosures – this proposal would require entities to disclose information about their **climate-related** risks and opportunities that would be useful to those seeking to buy/sell shares, provide loans, or exercise a vote on the direction of the entity. If adopted, reporting would begin on Jan 1, 2025. The consultation material refers to both physical and transition climate-related risks. Physical risks include damage from weather events like flooding and fires. Transition risks refer to policy, legal, and technological challenges faced as a result of a changing climate. Climate-related opportunities include potential benefits achieved through climate resiliency planning.

Consultation Process

RMA members can participate in the consultation process in two ways. First, the CSSB has created a [survey](#) soliciting feedback. Second, [written submissions](#) are being **accepted until June 10, 2024**. **Note, submitting written comments requires creating an account.** RMA has reviewed the survey, and suggests members choose to make comments via a written submission, as this will allow for more municipal-specific details to be shared and allow members to raise issues not directly captured in the survey.

The intent of this toolkit is to guide RMA member participation in creating their written submissions. The RMA is also planning on submitting written comments.

Suggested Comments and Questions

The suggested comments and questions below are intended to guide member participation. While some of the messages can be used mostly as they are presented, specific examples and concerns about how the proposed disclosure requirements will impact your municipality and local economy will be beneficial. While the CSSB is running consultations on two separate CSDSs, the concerns RMA has identified are shared between the two proposed disclosures, and are presented here as input intended to be applied to either.

Municipal Perspective

- ♦ Municipalities do not exist to create profit. Rather, municipalities exist to provide services to residents. Therefore, it is unclear how the information generated by the CSDSs will be used with regards to municipalities.
- ♦ Rural municipalities maintain a vast road network that provides access to Alberta's agriculture, forestry, and energy industries. RMA is concerned that the emissions associated with this required maintenance will be used to unfairly represent its members and the role they play in providing necessary services.
- ♦ Many rural municipalities have very small finance teams and may not have ready access to the data required to complete the disclosures. Even with a two-year phase-in and more lenient reporting expectations for certain entities, it is likely that many rural municipalities will face significant capacity challenges to comply. How will the CSDSs be structured to ensure that undue burden is not placed on municipalities with limited staffing resources?
 - ◇ RMA members may consider adding information on the size of their administrative finance team, and all the work they are already responsible for.
- ♦ It is unclear what level of data specificity will be required. Depending on the level of data required, it is likely that rural municipalities will require significant resources to collect and provide the data to inform their reporting. In many cases, this may require the use of costly consultants. How will municipalities be supported and/or compensated for this significant administrative and potentially financial undertaking?

- ◇ RMA members may consider a discussion of past projects where data collection was required, and explain the in-kind costs of gathering the data. If a consultant was used to collect the data, it would be powerful to note the costs and in-kind contributions of staff managing the procurement and contract processes.
- ◆ For many rural municipalities, forming a governance body to oversee sustainability and climate related risk will represent a significant increase in workload. What supports will be available to municipalities to reduce this administrative burden?
- ◆ Based on the role of municipalities and their limited capacity to take on additional data gathering, reporting, and governance roles, RMA recommends municipalities be formally excluded from the CSDSs.
 - ◇ The RMA is asking for a formal exemption for municipalities from the proposed CSDSs based on the information above. It is recommended that RMA members include an official request for exemption in their submission. While this will not guarantee an outcome, it will demonstrate a cohesive voice on the issue.

Rural Business Perspective

- ◆ Many rural businesses are small operations, with limited staff. In many cases, complying with the CSDSs will require the use of costly consultants to collect data and report.
 - ◇ If you have economic development data on the number of businesses in your municipality, including how many have a small number of employees, this would help demonstrate the unique nature of rural businesses.
- ◆ In the case of single proprietor or businesses with very few staff, it is unclear how a committee can be established to provide the proposed required governance. For example, an incorporated family farm with only two adults will likely face significant challenges in creating and supporting a formalized governance structure to comply with the CSDSs.
- ◆ The consultation documents are not clear on exactly what the requirements will be to comply with the proposed CSDSs. Therefore, it is difficult to determine exactly what the impacts will be on rural businesses. However, due to the nature of many rural businesses, compliance may not be compatible with business plans, which could lead to a loss of rural economic employment and business opportunities.
 - ◇ RMA members may consider sharing information on how a single rural business leaving would impact employment, drawing attention to the fact that in many cases a comparable employer may not exist or may not be hiring new staff. Whereas in an urban community, there are a greater number of potential employers.
- ◆ If the CSDSs are approved, there must be a formalized set of rules that accounts for the nature of rural businesses, including their unique nature with regards to their smaller comparative number of employees.

Have questions?

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