May 22, 2024

Charles-Antoine St-Jean, Chair
Canadian Sustainability Standards Board

Re: Comment on CSSB Consultation on Proposed Canadian Sustainability Disclosure Standards

Dear Chair St-Jean,

Boston Trust Walden Company is an independent, employee-owned investment management firm with approximately $16.4 billion in assets under management.[1] Our firm has been integrating environmental, social, and governance (ESG) factors into investment decisions since 1975 — one of the longest track records of any institutional investment manager.

Simply stated, we seek to invest in enterprises with strong financial underpinnings, sustainable business models, prudent management practices, and a governance structure that supports these objectives. Consideration of ESG factors is part of our fiduciary duty to ensure client assets are invested in a set of securities well situated to produce attractive risk-adjusted returns over a long-term investment horizon.

Since 2017, Boston Trust Walden has served as a member of the Sustainable Accounting Standards Board (SASB) Investor Advisory Group (recently transitioned to the ISSB Investor Advisory Group) to support the development of a globally recognized framework for consistent, comparable, and reliable disclosure of financially material, decision-useful sustainability-related information. We are supportive of jurisdictional efforts to adopt disclosure requirements aligned with the IFRS Sustainability Disclosure Standards and welcome the opportunity to provide comment to the ongoing consultation.

With respect to the ongoing consultation by the Canadian Sustainability Standards Board, Boston Trust Walden would like to highlight the following key points for consideration.

- **We applaud the CSSB for substantially aligning the Exposure Drafts on Canadian Sustainability Disclosure Standards (proposed CSDS) with IFRS S1 & S2, save for certain minor extensions to the effective date and transition reliefs.** Access to consistent, comparable, and reliable information is critical to our ability to comprehensively incorporate ESG factors into investment decisions. While the growth in the absolute number of companies producing some form of sustainability reporting has been noteworthy, the quality of disclosure remains inconsistent and generally lacks decision-useful context that investors need to accurately price securities. By incorporating all requirements from IFRS S1 & S2 on a timeframe aligned with the interests of Canadian issuers, the proposed CSDS will deliver on the need for globally consistent sustainability disclosure standards that provide comparable and reliable sustainability information to the market.

  Boston Trust Walden supports — and actively encourages the CSSB to retain — the scope of the proposed CSDS S1 to include requirements for entities to disclose information related to a broader range of material sustainability-related risks and opportunities (beyond just climate). By focusing on all sustainability-related risks and opportunities likely to have a material impact on company performance, the proposed CSDS S1 will adequately tie to the financial

[1] AUM as of March 31, 2024, includes AUM of wholly owned subsidiary Boston Trust Walden Inc.

performance and outlook for the company the impacts it has on people and the planet, providing for a more robust assessment of enterprise value and the overall risk profile.

- **Maintaining faithfulness to IFRS S1 & S2 through the ongoing consultation is critical to enhancing investor access to timely, consistent, and comparable sustainability disclosures while reducing jurisdictional fragmentation and simplifying reporting obligations for issuers.** As a growing number of jurisdictions and regulators actively consider the adoption of sustainability disclosure standards based on IFRS S1 & S2, it is critical that the CSSB limit any substantial changes to the proposed CSDS to reduce the reporting burden for companies with cross-jurisdictional reporting requirements. For example, California's Climate-Related Financial Risk Act and Climate Corporate Data Accountability Act, the Basel Committee on Banking Supervision's proposed Pillar 3 disclosure framework for climate-related financial risks, and the Office of the Superintendent of Financial Institutions' (OSFI) update to Guideline B-15 are all grounded in the reporting requirements of IFRS S2. The ISSB has also published guidance to aid reporters in meeting disclosure requirements through the Corporate Sustainability Reporting Directive (CSRD).

  By maintaining faithfulness to IFRS S1 & S2, the proposed CSDS will strengthen the comparability of information for investors while also streamlining reporting requirements for preparers.

- **We support the proposal requiring that sustainability-related financial disclosures be provided at the same time as the financial statements to which they relate.** Given the scope of the proposed CSDS seeks only to include material sustainability-related financial information on significant sustainability-related risks and opportunities, we believe it is necessary that reporting occurs in parallel with traditional financial reporting. Doing so enables investors to integrate such information more readily and accurately within investment decision making.

  Investors and companies both need credible risk information to make prudent financial decisions. In practice, for both investors and reporters, it is challenging to integrate sustainability-related financial information into decision-making processes comprehensively and holistically without considering this information in tandem with financial statements. Moreover, requiring sustainability-related financial disclosures be provided alongside the financial statements enhances the likelihood of assurance, maximizing user trust and confidence in the information disclosed. Where a high degree of assurance is not feasible, such as with future events with uncertain outcomes, we find the guidance within Paragraphs 79-82 of CSDS S1 to be useful in aiding preparers.

  This requirement would resolve the siloed nature of corporate financial and sustainability-related reporting that exists today.

- **We support the inclusion of requirements for reporters to disclose information related to Scope 3 greenhouse gas emissions and climate resilience under varying warming scenarios.** Scope 3 emissions disclosure enables a robust evaluation of corporate transition plans, potential business model sensitivity to climate risk, and preparedness for a net zero emissions transition scenario. Companies increasingly recognize the critical importance of measuring these emissions. According to the Science-Based Targets Initiative, 90% of those companies with approved science-based targets include Scope 3 emissions in those goals.[2] Canadian market

[2] Labutong, Nicole, and Vincent Hoen. "How Can Companies Address Their Scope 3 Greenhouse Gas Emissions?" Science Based Targets (blog), May 25, 2018. https://sciencebasedtargets.org/blog/how-can-companies-address-their-scope-3-greenhouse-gas-emissions.

leaders across sectors, from Canadian National Rail to Restaurant Brands International to lululemon, are developing strategies for reducing Scope 3 emissions to reduce climate-related risk, meet mounting regulatory expectations, and address shifting consumer demands. To aid preparers, IFRS S2 provides substantial guidance for the measurement of Scope 3 emissions, including the use of estimates and assumptions, to ease the concerns related to measurement uncertainty and capacity challenges cited in the consultation brief.

Similarly, insight into how a company is evaluating and planning for climate resilience is extremely valuable for long-term investors seeking to ensure client assets are invested in a set of securities well situated to minimize risk and produce sustainable returns. This information helps in our evaluation of issuer transition risk management and preparedness to meet shifting consumer and regulatory demands. In recent years we have observed tremendous growth in the proficiency of third-party consultants to perform these types of analyses for corporations, mitigating the concerns cited in the consultation brief.

As an asset manager integrating sustainability-related information into investment decision-making since 1975, we are greatly encouraged by the prospects of the IFRS Sustainability Disclosure Standards to improve the consistency, comparability, reliability, and decision-usefulness of sustainability disclosures globally. These aims will only be fulfilled if individual jurisdictions adopt the requirements of the IFRS Standards in full, prioritizing any use of temporary reliefs over the omission or certain disclosure requirements.

Sincerely,

Amy D. Augustine

Amy D. Augustine
Director of ESG Investing

Jared Fernandez
Senior ESG Analyst & Manager, Proxy Voting