# Submission to Canadian Sustainability Standards Board (CSSB)

**Exposure Draft Survey: "Proposed amendments to CSDS 2: Amendments to Greenhouse Gas (GHG) Emissions Disclosures"**

**Official Submission**
July 2026

environmental defence

## Environmental Defence Canada's survey responses to the CSSB's Exposure Draft Survey: "Proposed amendments to CSDS 2: Amendments to Greenhouse Gas (GHG) Emissions Disclosures."

**Q1. In adopting the ISSB's amendments to GHG emissions disclosures into CSDS 2, do you agree with the proposed Canadian modification related to the effective date of the amendments?**

**Response:** Yes.

**Q2. Given concerns Canadians raised about the permanent nature of the relief for facilitated emissions and insurance-related emissions included in the ISSB's final amendments to IFRS S2, do you think that CSDS 2 should provide time-limited relief?**

**Response:** Yes. CSDS 2 should provide only time-limited relief (instead of permanent relief) for facilitated emissions and insurance-associated emissions. Permanent relief would create too large of a gap in the disclosure of material Scope 3 Category 15 emissions for financial institutions. A time-limited approach would recognize current data and methodology challenges while preserving the objective of comprehensive, decision-useful climate disclosure. It would also better meet the Canadian public interest by maintaining alignment with the global baseline where appropriate, while ensuring that Canadian users of general-purpose financial reports are not permanently denied information that is material to banks, insurers, investors, regulators and the public.

Three key reasons to include disclosures for facilitated emissions and insurance-associated emissions are:

1. These emissions disclosures have material significance.

Emissions linked to facilitated financing, including underwriting bonds and shares, are material because capital markets activities are a significant part of the business model of major banks. Where a substantial share of revenue is generated through activities that enable debt and equity issuance, excluding the associated emissions would omit information that users need to assess climate-related risks, transition exposure, future cash flows, access to finance, and cost of capital.

As outlined in the Transition Pathways Initiative response to ISSB consultations:

"For the banking sector, S&P Global estimates that, in 2024, the median percentage of capital markets revenue among the largest banks was 35% of total revenue, up from 32% in 2023. These findings show that capital market activities, such as underwriting debt and equity, are a major source of revenue for banks and are crucial for their profitability, i.e. are material. Therefore, the disclosure of emissions accounting associated with these activities is relevant for users of general-purpose financial reports, as they need to understand the full impact that climate-related risks and opportunities can have on a financial institution's cash flows, access to finance and cost of capital in the short, medium and long term.

Canadian evidence reinforces this point. The capital markets and wholesale banking segments of major Canadian banks represent a meaningful share of total revenue, with the median share being approximately 20.4%. This demonstrates that facilitated financing is not incidental or peripheral; it is a core business activity for Canada's largest financial institutions.

Furthermore, as Influence Map demonstrates in a 2025 report titled Canada's Big Five Banks: Fueling Fossil Risk?, major Canadian banks have significant exposure to the fossil fuel sector (18.3% of their total funding portfolio), and 29% of this funding is provided through facilitation activities.

Insurance-associated emissions should be treated similarly. Insurance and reinsurance underwriting can enable high-emitting activities by transferring and pricing risk, and those exposures may create material transition, physical, liability and reputational risks for insurers. Because underwriting is central to an insurer's business model, excluding insurance-associated emissions would leave users with an incomplete picture of the climate-related risks embedded in insurance portfolios.

Similarly, since insurance is the core business of insurance companies, emissions related to these activities constitute a major portion of their total emissions and are therefore material. Indeed, as the Partnership for Carbon Accounting Financials (PCAF) notes its standard for the insurance sector, "For a re/insurer, scope 3 category 15 emissions – financed emissions and insurance-associated emissions – are the most significant part of its indirect GHG emissions inventory."

Investors for Paris Compliance (2024) estimated that in 2023, $19.5B (CAD) in oil & gas assets were held by the 7 largest Canadian P&C insurers.

There is also a material benefit to publishing climate disclosures. The Institute for Sustainable Finance (ISF) found that "TCFD-aligned climate disclosure may have helped Canadian firms attract foreign institutional capital, particularly from important European markets, during a period of heightened geopolitical and trade uncertainty" following the Liberation Day Shock in 2025.

To summarize, excluding disclosure of emissions related to facilitation and insurance activities on a permanent basis would, in practice, deprive users of general-purpose financial reports from material information on Canadian banks and insurers. This would produce an incomplete view of the potential impact of climate-related risks and opportunities, reduce comparability across institutions, and weaken the usefulness of CSDS 2. Relief should therefore be temporary, targeted, and linked to a clear expectation that entities build the controls and data capacity needed to disclose these emissions.

2. Methodologies exist for measuring these emissions, so disclosure is feasible.

Measurement methodologies already exist and continue to improve. The Partnership for Carbon Accounting Financials has developed standards for financed emissions and insurance-associated emissions, and its 2025 update expanded the ability of financial institutions to measure and report emissions across a wider range of financial activities. While data quality and methodological limitations remain, these challenges support a phased implementation period rather than permanent relief.

The Office of the Superintendent of Financial Institutions (OSFI) uses Guideline B-15, which directs federally regulated financial institutions—such as chartered banks and insurers—to use PCAF standards to calculate and report their climate-related risks. While the effective date for this reporting has been pushed back to fiscal year 2028, many Canadian financial institutions are already using PCAF standards.

A reasonable approach would be to align the end of any relief period with the implementation of related Canadian requirements, including OSFI Guideline B-15 expectations for Scope 3 disclosure in fiscal year 2028. This would give financial institutions time to improve data, systems and governance, while also creating a clear accountability signal that disclosure is expected. Data and compliance gaps are unlikely to close without a defined timeline, incentives and regulatory clarity.

International reporting standards continue to improve as well with SBTi, for example, recently releasing their corporate Net-Zero Standard V2.0 which builds on a decade of experience supporting more than 11,000 companies in transforming their business towards Net-Zero. Similarly, last month the ISO launched the public consultation for the ISO Net Zero Aligned Organizations Standard (ISO 14060), which will be the world's first international independently verifiable standard designed to support organizations in developing credible and comprehensive net zero transition plans. Consensus on the standard is expected to be reached by early September this year.

3. Not doing so provides a form of permanent favourable treatment towards oil and gas investments.

Permanent exclusion would create favourable treatment for high-emitting activities by allowing material exposures to remain outside standardized disclosure. This would reduce market discipline, weaken investors' ability to compare institutions, and increase the risk that reported emissions understate a financial institution's actual climate exposure. In sectors where capital allocation has a direct bearing on transition risk, incomplete disclosure can distort decision-making.

According to the 2026 Banking on Climate Chaos report, Canada's financial institutions are some of the most heavily invested in oil and gas, making up 11.8% of global bank fossil fuel bank financing, even though it has only 0.5% of the world's population. Canadian banks RBC, Scotiabank and CIBC, are also part of a group of outliers in providing well above-average financing in comparison to their size in 2025.

Recommended duration and guardrails: Relief should be limited to no more than two years after the effective date of the amendments, or should end when related Canadian disclosure expectations under OSFI Guideline B-15 become applicable, whichever provides the clearer and more coherent implementation pathway.

**Q3. Do you have comments on any other aspect of the proposal in this Exposure Draft?**

**Response:** Yes. Climate disclosures should remain comprehensive. The CSSB should ensure that any flexibility introduced through the amendments does not undermine the core purpose of CSDS 2: providing decision-useful, comparable and complete information about material climate-related risks and opportunities. Where entities rely on relief or alternative measurement approaches, they should be required to disclose the nature of the relief used, the activities or emissions excluded, the rationale for exclusion, and the expected timeline for fuller disclosure. This would preserve transparency while allowing implementation challenges to be addressed in a disciplined way.

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