The Corporation of the City of Brampton

Audit Planning Report for the year ending December 31, 2023

Licensed Public Accountants

Prepared as of October 13, 2023 for presentation to the Audit Committee on November 7, 2023

kpmg.ca/audit

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The purpose of this report is to assist you, as a member of the Audit Committee, in your review of the plan for our audit of the financial statements. This report is intended solely for the information and use of Management, the Audit Committee, and City Council and should not be used for any other purpose or any other party. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this report to the Audit Committee has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Digital use information

This Audit Planning Report is also available as a “hyper-linked” PDF document.

If you are reading in electronic form (e.g. In “Adobe Reader” or “Board Books”), clicking on the home symbol on the top right corner will bring you back to this slide.

Click on any item in the table of contents to navigate to that section.

Audit highlights

No matters to report

Matters to report – see link for details

Scope

Our audit of the consolidated financial statements ("financial statements") of The Corporation of the City of Brampton ("the Company") as of and for the year, ending December 31, 2023, will be performed in accordance with Canadian generally accepted auditing standards.

Audit strategy

Materiality $23M

Involvement of others

Updates to our prior year audit plan

Audit strategy - group audit

Total	Total assets	Total revenue
Total work performed	92%	93%

Involvement of other KPMG member firms

Involvement of non-KPMG firms

Risk assessment

Risk of management override of controls

Other significant risks

Presumed risk of fraudulent revenue recognition

Other risks of material misstatement

Technology highlights

KPMG Clara

We plan to utilize technology to enhance the quality and effectiveness of the audit.

Summary of advanced technologies

KPMG Clara for Clients

Secure cloud based audit platform we use to plan, execute and manage the audit while providing management with access at every step.

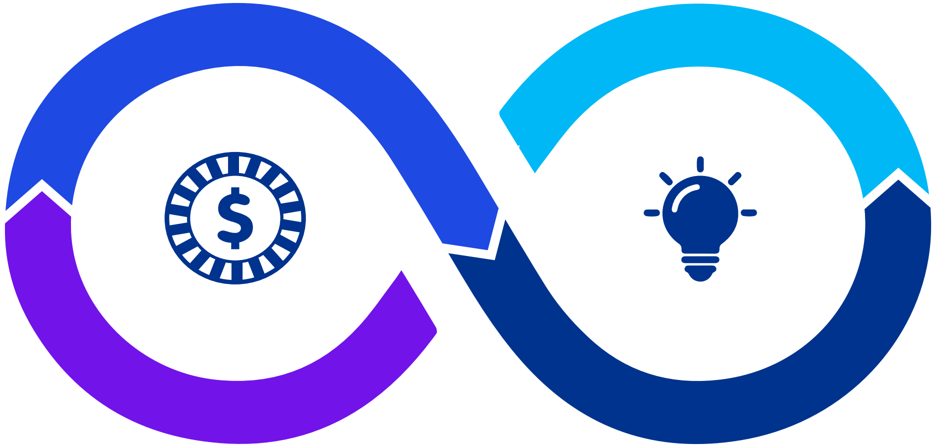
KPMG Clara Workflow

KPMG workflow tool that drives execution of the audit by enabling easy access to relevant audit guidance, templates, and integrated engagement management.

KPMG application software

One way we use KPMG application software ("IDEA") is to analyze journal entries and apply certain criteria to identify potential high-risk journal entries for testing.

Materiality



We ***initially determine materiality*** at a level at which we consider that misstatements could reasonably be expected to influence the economic decisions of users. Determining materiality is a matter of ***professional judgement***, considering both quantitative and qualitative factors, and is affected by our perception of the common financial information needs of users of the financial statements as a group. We do not consider the possible effect of misstatements on specific individual users, whose needs may vary widely.

We ***reassess materiality*** throughout the audit and revise materiality if we become aware of information that would have caused us to determine a different materiality level initially.

Plan and perform the audit

We ***initially determine materiality*** to provide a basis for:

- Determining the nature, timing and extent of risk assessment procedures;
- Identifying and assessing the risks of material misstatement; and
- Determining the nature, timing, and extent of further audit procedures.

We design our procedures to detect misstatements at a level less than materiality in individual accounts and disclosures, to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Evaluate the effect of misstatements

We also ***use materiality*** to evaluate the effect of:

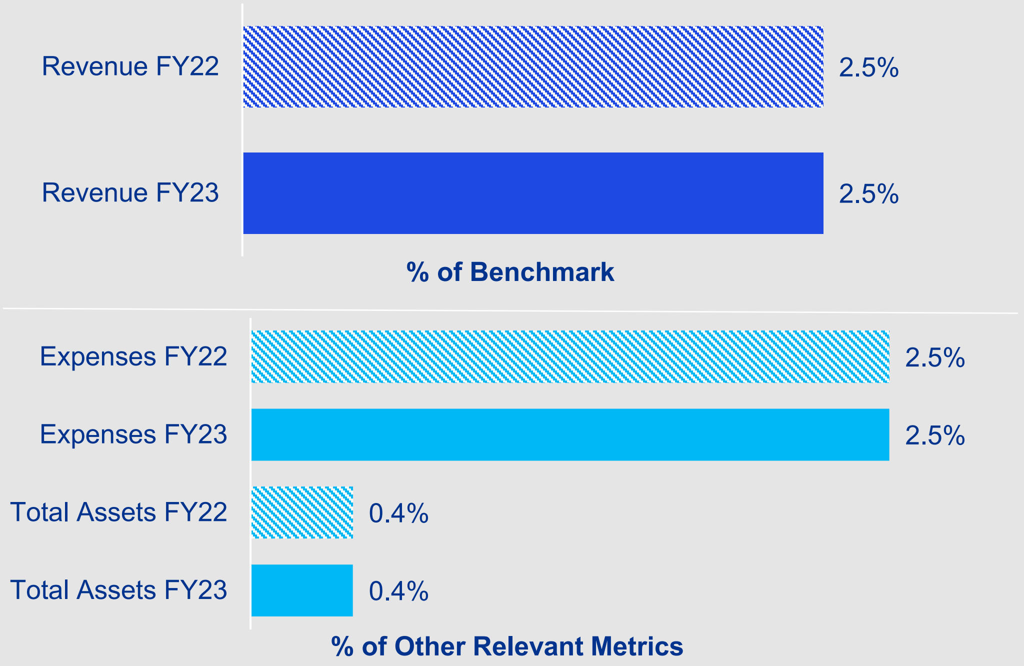
- Identified misstatements on our audit; and
- Uncorrected misstatements, if any, on the financial statements and in forming our opinion.

Initial Materiality

Materiality

$23M

(2022: $21M)



Projected adjusted revenue

$904M

(2022: $863M)

(based on PY actuals)

Prior period total assets

$5,556M

(2022: $5,451M)

Prior period total expenses

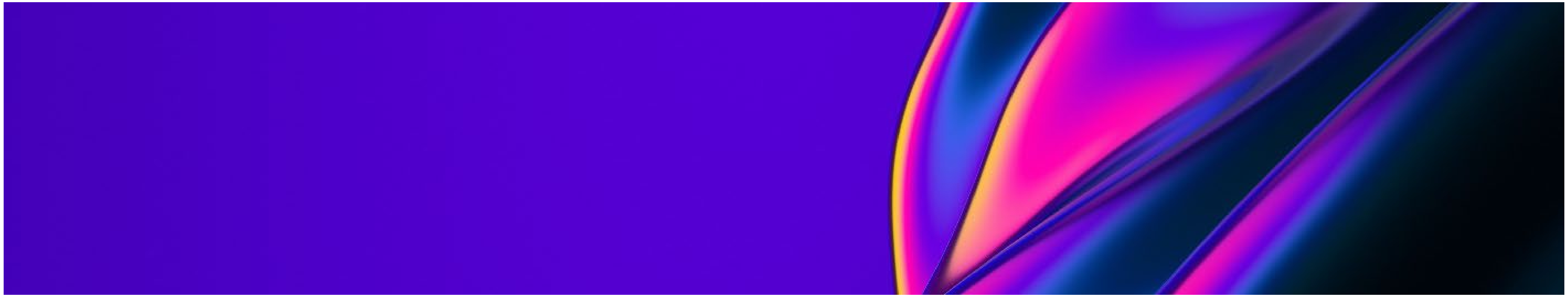
$912M

(2022: $849M)

Involvement of others

The following parties are involved in the audit of the financial statements:

Involved party	Nature and extent of planned involvement
KPMG professionals with specialized skill or knowledge who are involved in performance of audit procedures	KPMG actuarial specialists to evaluate the reasonability of assumptions used by management's actuarial specialists to derive the valuations of the City's employee future benefits, WSIB, and retirement and sick leave benefits obligations and related amortization amounts.



Updates to our prior year audit plan

New significant risks

No new significant financial reporting risks identified

Other significant changes

Changes in Accounting Standards

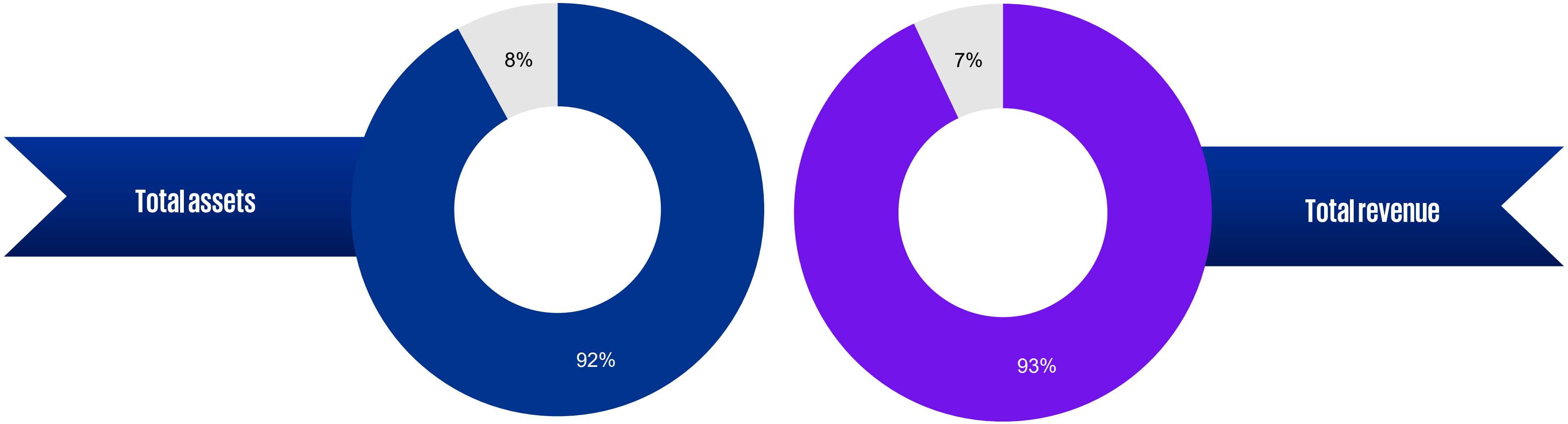
- PS 3280 Asset Retirement Obligations
- PS 3450 Financial Instruments
- Refer to appendix D for further explanation and for future changes in accounting standards.

Newly effective accounting standards

Group audit - Scoping

Breakdown by audit participants

Type of work performed	Total assets	Total revenue
Total full-scope audits	92%	93%
Total audit of one or more account balances and/or disclosures	0%	0%
Total specified audit procedures	0%	0%
Total work performed	**92%**	**93%**
Non-significant components audited for statutory purposes	8%	7%
Total consolidated	**100%**	**100%**



Significant risks

Management Override of Controls (non-rebuttable significant risk of material misstatement)

RISK OF FRAUD

Presumption of the risk of fraud resulting from management override of controls

Why is it significant?

Management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Although the level of risk of management override of controls will vary from entity to entity, the risk nevertheless is present in all entities.

Our planned response

As this presumed risk of material misstatement due to fraud is not rebuttable, our audit methodology incorporates the required procedures in professional standards to address this risk. These procedures include:

- testing of journal entries and other adjustments,
- performing a retrospective review of estimates
- evaluating the business rationale of significant unusual transactions.

Advanced technologies

Our **KPMG Clara Journal Entry Analysis Tool** assists in the performance of detailed journal entry testing based on engagement-specific risk identification and circumstances. Our tool provides auto-generated journal entry population statistics and focusses our audit effort on journal entries that are riskier in nature.

Click to learn more

Significant risks

Presumption of the risk of fraud involving improper revenue recognition

RISK OF
ERROR FRAUD

Significant risk	Estimate?	New or changed?
Audit standards require us to assume there are generally pressures/incentives on management to commit fraudulent financial reporting through inappropriate revenue recognition. We have considered the type and complexity of revenue transactions, and the perceived opportunities and incentives to fraudulently misstate revenue for the City and its subsidiaries. The primary risk of fraudulent revenue recognition resides with manual journal entries for revenue transactions not in the normal course of business as well management's calculation of the deferred revenue – obligatory reserve funds.	No	No

Relevant inherent risk factors affecting our risk assessment

Complexity and magnitude of obligatory deferred revenue calculations

Our audit approach

Our audit methodology incorporates the required procedures in professional standards to address this risk.

Our audit approach consists of evaluating the design and implementation of selected relevant controls. We test journal entries that meet specific criteria. These criteria are designed during the planning phase of the audit and are based on areas and accounts that are susceptible to manipulation through management override and we design search filters that allow us to identify any unusual journal entries.

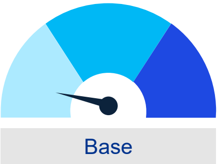
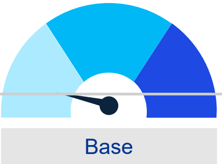
As part of our audit approach to address the inherent risk of error in revenue recognition, we substantively test revenues (both recognized and amounts held as deferred at year end) and recalculate management's calculation of deferred revenue – obligatory reserve funds through auditing management's methodology.

Advanced technologies

Our **KPMG Clara DataSnipper** is an automated vouching tool uses advanced Optical Character Recognition to automatically vouch unstructured data like invoices and contracts with a click of a button! This tool will be used throughout the audit allowing our teams to focus more attention on areas of higher risk.

Click to learn more

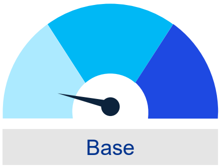
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Cash and Investments		• Inspect year-end bank and investment reconciliations and substantive testing of significant reconciling items. • Obtain confirmations from third party financial institutions. • Assessment of financial statement note disclosures in accordance with Public Sector Accounting Standards (PSAS). • Obtain and conclude on the appropriateness of management's assessment of its portfolio of investments to the requirements for fair market value presentation per the newly implemented PS 1201 and PS 3041 standards. • Agree fair market values of investments presented at fair market value to confirmations received from third party financial institutions.
Tangible capital assets		• Perform substantive tests of details over additions (including contributed tangible capital assets) and disposals. • Assess amortization policy and perform recalculations. • Assess construction in progress to ensure amounts are properly transferred to correct capital asset classes and amortization expense commences on a timely basis. • Assessment of financial statement note disclosures in accordance with PSAS. • Perform required procedures to assess the potential risks with respect to impairment of assets. Based on the nature of the City's operations, it is not expected that this will be a significant risk during the audit. • Vouch fair value estimates of contributed tangible capital assets to supporting third party documentation or estimated by the City, perform procedures to address the CAS 540, Auditing Accounting Estimates and Related Disclosure requirements related to valuation estimates.

Other risks of material misstatement

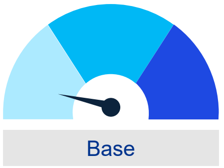
Areas	Level of risk due to error	Our planned response

Revenue and accounts receivable



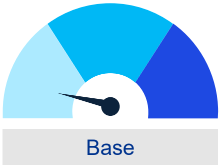
- Audit revenue transactions to supporting documentation on a sample basis to assess whether revenue recognition is appropriate.
- Obtain confirmation of significant individual receivable balances.
- Vouch a sample of cash receipts and related funding agreements.

Deferred revenue – general

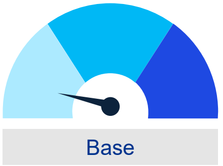


- Vouch a sample of cash receipts and assess related funding agreements to determine whether there are restrictions on funding that would necessitate revenue deferral.
- For revenue recognized, assess funding agreement to ensure that funding eligibility criteria has been satisfied within the allowable within the allowed time period.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Employee benefits and other liabilities		• Reliance on actuaries (management specialist) engaged by the City; update our understanding of the activities over the quality of information used, the assumptions made, the qualifications, competence and objectivity of the preparer of the estimate, and the historical accuracy of the estimates. • KPMG actuarial specialists to assess method, data, and assumptions used by the actuary and management in the calculation of the employee benefits and other liabilities for reasonableness. • We will perform audit procedures in accordance with the relevant auditing standards and related disclosure requirements related to the estimates involved. • Perform inquiries with management to determine if this is the year of full valuation whereby new participant/member data is provided to the actuaries. If applicable, we will communicate with actuaries and test employment data provided to the actuaries. • Assess financial statement disclosure in accordance with PSAS.

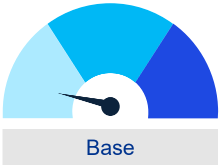
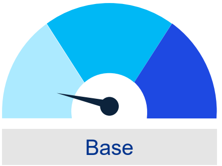
Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Asset retirement obligation		• Obtain management's final assessment of ARO, including support for the calculation of any recorded liability related to future costs associated with legal obligations that will be incurred upon retirement of a controlled tangible asset. • Obtain an understanding of the activities performed by management to identify the legal obligations associated with retirement of tangible capital assets. Ensure that all of the recognition criteria have been met to recognize an ARO in the financial statements. • Assess the costs that have been included in ARO liability based on information available to management and provided by any external experts. • Assess the presentation of ARO in the financial statements and ensure that the financial statements include appropriate note disclosure related to the adoption of the new standard.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Expenses – salaries and benefits	Base	• Test and evaluate design and implementation of controls over payroll. • Test of employment expenses for a sample of employees by verifying payroll records to employment contracts and collective agreements. • Substantive verification and recalculation of payroll-related accruals. • Obtain new or amended collective bargaining agreements. Assess if management has evaluated these agreements for implications of retroactive application. Such retroactive application can result in additional financial obligations for the City that are required to be reported in the financial statements.
Accounts payable, accrued liabilities and expenses	Base	• Search for unrecorded liabilities. • Examine significant accrued liabilities for existence, accuracy and completeness. • Perform substantive tests of details on selected non-payroll expenditures.

Other risks of material misstatement

Areas	Level of risk due to error	Our planned response
Contingencies	 	• Inspection of Council meeting minutes for potential contingencies. • Direct communication with internal legal counsel (and external as necessary) to ensure that all significant contingent liabilities are appropriately disclosed and/or recorded. • Significant findings assessment with management during planning and completion stages of the audit.
Consolidation (City and all components)	 	• Assess management's consolidation of the reporting entity by cross-checking to audited statutory financial statements for the respective entities. • Assess eliminating entries as prepared by management for accuracy and completeness. • Assess financial statement disclosures related to related parties, including the City's share of net income, dividends, etc. • Verify that the related party disclosures are complete and prepared in accordance with PSAS.

Key milestones and deliverables

Sept – Oct 2023
Planning & Risk Assessment

- Debrief prior year with management
- Kick-off with management
- Planning and initial risk assessment procedures, including:
  - Involvement of others
  - Identification and assessment of risks of misstatements and planned audit response for certain processes
- Obtain and update an understanding of the Company and its environment
- Inquire of the Audit Committee, management and others within the Company about risks of material misstatement

Nov - Dec 2023
Risk assessment & Interim work

- Evaluate the Entity's components of internal control, other than the control activities component
- Complete group audit scoping
- Complete initial risk assessment
- Communicate audit plan
- Identify IT applications and environments

Dec 2023
Interim work

- Perform process walkthroughs for business processes
- Evaluate D&I of controls for remaining business processes Complete interim data extraction and processing activities
- Perform interim substantive audit procedures
- Provide update on audit progress
- Perform substantive procedures over ARO implementation

Mar- May 2024
Final Fieldwork & Reporting

- Complete year-end data extraction and processing activities
- Perform remaining substantive audit procedures
- Evaluate results of audit procedures, including control deficiencies and audit misstatements identified
- Assess financial statement disclosures
- Present audit results to the Audit Committee and perform required communications
- Issue audit report on financial statements
- Closing meeting with management
- Issue of auditors reports

Appendices

A Required communications

B Use of technology

C Audit quality

D New auditing standards

E Newly effective accounting standards

F Future changes in accounting standards

G Insights

H ESG

I Continuous evolution

Appendix A: Other required communications

CPAB communication protocol

The reports available through the following links were published by the Canadian Public Accountability Board to inform Audit Committees and other stakeholders about the results of quality inspections conducted over the past year:

- CPAB Audit Quality Insights Report: 2021 Annual Inspections Results
- CPAB Audit Quality Insights Report: 2022 Interim Inspections Results
- CPAB Audit Quality Insights Report: 2022 Annual Inspections Results

Key milestones and deliverables

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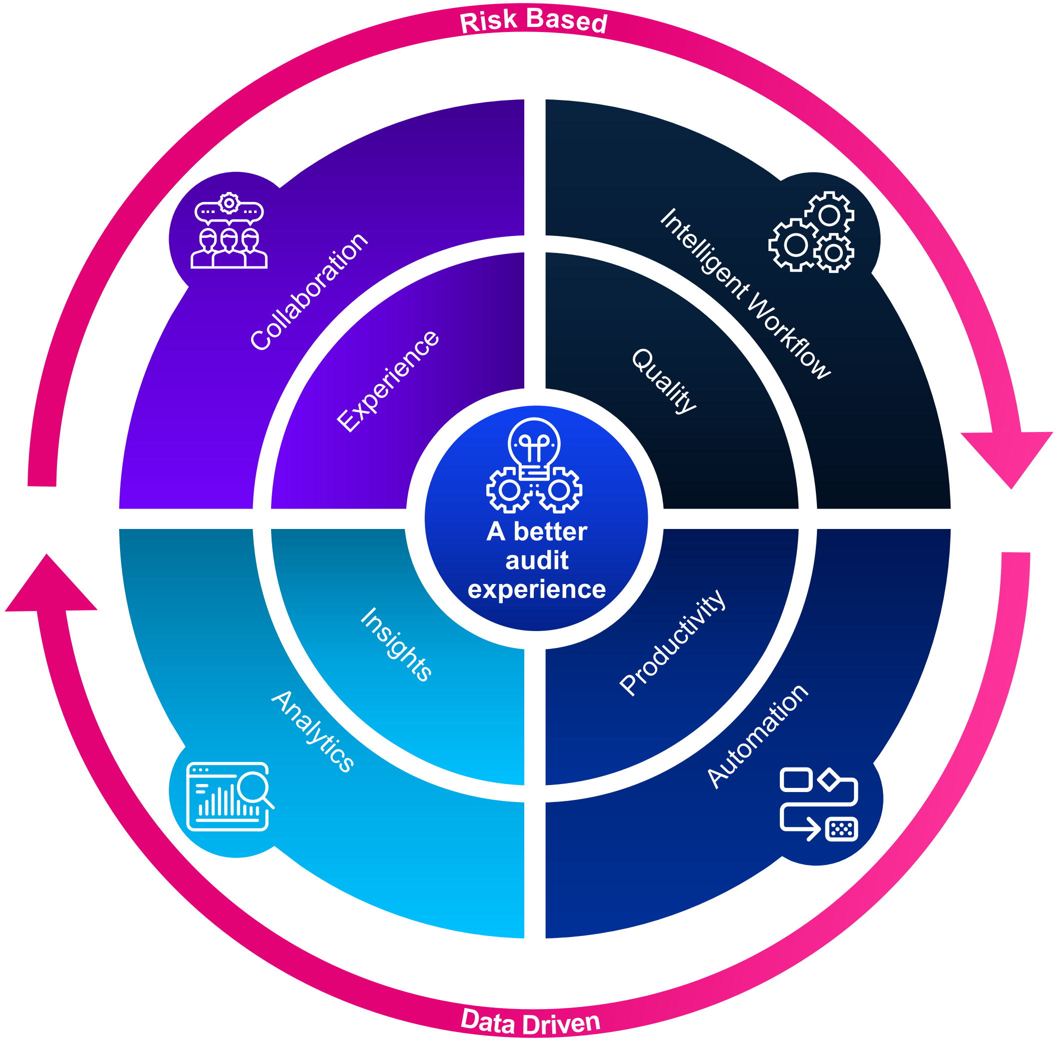
Appendix B: KPMG Clara

Streamlined client experience
And deeper insights into your business, translating to a better audit experience.

Secure
A secure client portal provides centralized, efficient coordination with your audit team.

Intelligent workflow
An intelligent workflow guides audit teams through the audit.

Increased precision
Advanced data analytics and automation facilitate a risk-based audit approach, increasing precision and reducing your burden.



Appendix C: Audit quality: How do we deliver audit quality?

Quality essentially means doing the right thing and remains our highest priority. Our **Global Quality Framework** outlines how we deliver quality and how every partner and staff member contributes to its delivery.

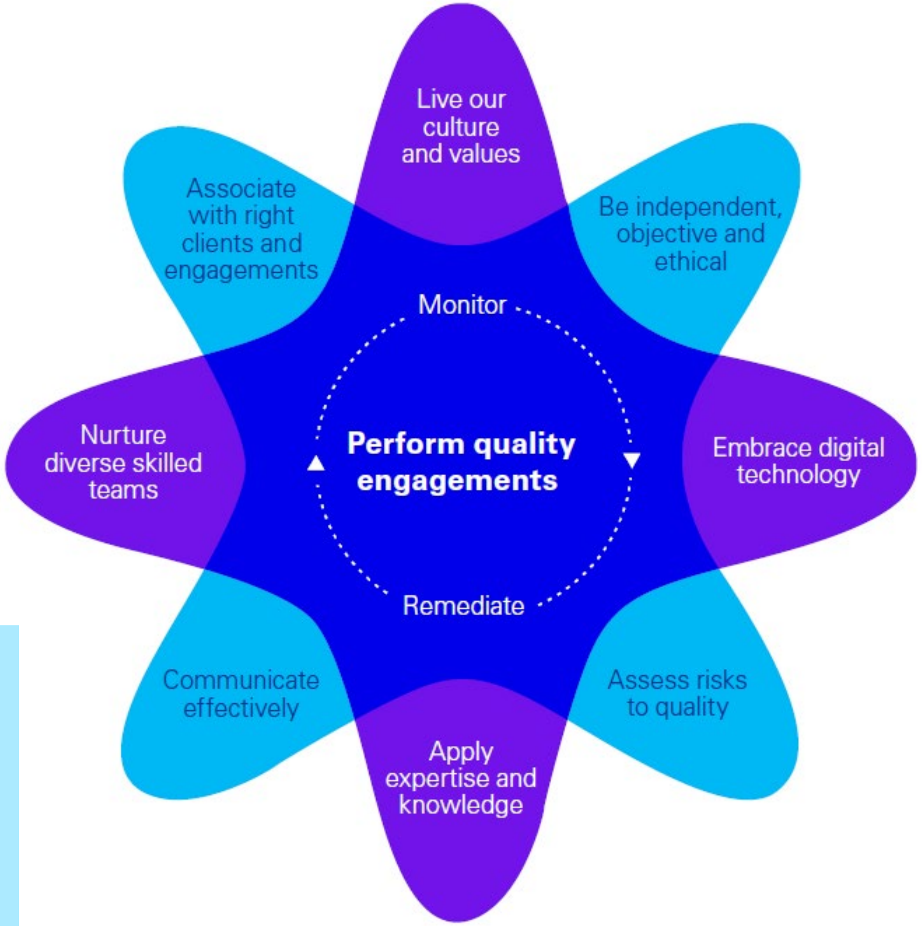
Perform quality engagement sits at the core along with our commitment to continually monitor and remediate to fulfil on our quality drivers.

Our **quality value drivers** are the cornerstones to our approach underpinned by the **supporting drivers** and give clear direction to encourage the right behaviours in delivering audit quality.

KPMG 2022 Audit Quality and Transparency Report

We define 'audit quality' as being the outcome when:

- audits are **executed consistently**, in line with the requirements and intent of **applicable professional standards** within a strong **system of quality management;** and
- all of our related activities are undertaken in an environment of the utmost level of **objectivity, independence, ethics** and **integrity.**



Appendix D: Newly effective and upcoming changes to auditing standards

For more information on newly effective and upcoming changes to auditing standards - see Current Developments

Effective for periods beginning on or after December 15, 2022

ISA/CAS 220

(Revised) Quality management for an audit of financial statements

ISQM1/CSQM1

Quality management for firms that perform audits or reviews of financial statements or other assurance or related services engagements

ISQM2/CSQM2

Engagement quality reviews

Effective for periods beginning on or after December 15, 2023

ISA 600/CAS 600

Revised special considerations – Audits of group financial statements

Appendix E: Newly Effective Accounting Standards

Standard	Summary and implications

Asset retirement obligations	• The new standard PS 3280 *Asset retirement obligations* is effective for fiscal years beginning on or after April 1, 2022 *(December 31, 2023 year-end)*.
	• The new standard addresses the recognition, measurement, presentation and disclosure of legal obligations associated with retirement of tangible capital assets. Retirement costs will be recognized as an integral cost of owning and operating tangible capital assets.
	• The asset retirement obligations (“ARO”) standard will require the public sector entity to record a liability related to future costs of any legal obligations to be incurred upon retirement of any controlled tangible capital assets (“TCA”). The amount of the initial liability will be added to the historical cost of the asset and amortized over its useful life if the asset is in productive use.
	• As a result of the new standard, the public sector entity will:
	  • Consider how the additional liability will impact net debt, as a new liability will be recognized with no corresponding increase in a financial asset;
	  • Carefully review legal agreements, senior government directives and legislation in relation to all controlled TCA to determine if any legal obligations exist with respect to asset retirements.

Appendix E: Newly Effective Accounting Standards

Standard	Summary and implications
Financial instruments and foreign currency translation	• The new standards PS 3450 Financial instruments, PS 2601 Foreign currency translation, PS 1201 Financial statement presentation and PS 3041 Portfolio investments are effective for fiscal years beginning on or after April 1, 2022 (December 31, 2023 year-end) . • Equity instruments quoted in an active market and free-standing derivatives are to be carried at fair value. All other financial instruments, including bonds, can be carried at cost or fair value depending on the public sector entity’s choice and this choice must be made on initial recognition of the financial instrument and is irrevocable. • Hedge accounting is not permitted. • A new statement, the Statement of Remeasurement Gains and Losses, will be included in the financial statements. Unrealized gains and losses incurred on fair value accounted financial instruments will be presented in this statement. Realized gains and losses will continue to be presented in the statement of operations. • PS 3450 Financial instruments was amended subsequent to its initial release to include various federal government narrow-scope amendments.

Appendix F: Future Changes in accounting standards

Standard	Summary and implications
Revenue	• The new standard PS 3400 *Revenue* is effective for fiscal years beginning on or after April 1, 2023 *(December 31, 2024 year-end).* • The new standard establishes a single framework to categorize revenue to enhance the consistency of revenue recognition and its measurement. • The standard notes that in the case of revenue arising from an exchange transaction, a public sector entity must ensure the recognition of revenue aligns with the satisfaction of related performance obligations. • The standard notes that unilateral revenue arises when no performance obligations are present, and recognition occurs when there is authority to record the revenue and an event has happened that gives the public sector entity the right to the revenue.
Purchased Intangibles	• The new Public Sector Guideline 8 *Purchased intangibles* is effective for fiscal years beginning on or after April 1, 2023 with earlier adoption permitted *(December 31, 2024 year-end).* • The guideline allows public sector entities to recognize intangibles purchased through an exchange transaction. The definition of an asset, the general recognition criteria and GAAP hierarchy are used to account for purchased intangibles. • Narrow scope amendments were made to PS 1000 *Financial statement concepts* to remove the prohibition to recognize purchased intangibles and to PS 1201 *Financial statement presentation* to remove the requirement to disclose purchased intangibles not recognized. • The guideline can be applied retroactively or prospectively.

Appendix F: Changes in accounting standards (continued)

Standard	Summary and implications
Public Private Partnerships	• The new standard PS 3160 *Public private partnerships* is effective for fiscal years beginning on or after April 1, 2023 *(December 31, 2024 year-end).* • The standard includes new requirements for the recognition, measurement and classification of infrastructure procured through a public private partnership. • The standard notes that recognition of infrastructure by the public sector entity would occur when it controls the purpose and use of the infrastructure, when it controls access and the price, if any, charged for use, and it controls any significant interest accumulated in the infrastructure when the public private partnership ends. • The public sector entity recognizes a liability when it needs to pay cash or non-cash consideration to the private sector partner for the infrastructure. • The infrastructure would be valued at cost, which represents fair value at the date of recognition with a liability of the same amount if one exists. Cost would be measured in reference to the public private partnership process and agreement, or by discounting the expected cash flows by a discount rate that reflects the time value of money and risks specific to the project. • The standard can be applied retroactively or prospectively.
Concepts Underlying Financial Performance	• The revised conceptual framework is effective for fiscal years beginning on or after April 1, 2026 with earlier adoption permitted. • The framework provides the core concepts and objectives underlying Canadian public sector accounting standards. • The ten chapter conceptual framework defines and elaborates on the characteristics of public sector entities and their financial reporting objectives. Additional information is provided about financial statement objectives, qualitative characteristics and elements. General recognition and measurement criteria, and presentation concepts are introduced.

Appendix F: Changes in accounting standards (continued)

Standard	Summary and implications

Financial Statement Presentation	• The proposed section PS 1202 *Financial statement presentation* will replace the current section PS 1201 *Financial statement presentation*. PS 1202 *Financial statement presentation* will apply to fiscal years beginning on or after April 1, 2026 to coincide with the adoption of the revised conceptual framework. Early adoption will be permitted.
	• The proposed section includes the following:
	  • Relocation of the net debt indicator to its own statement called the statement of net financial assets/liabilities, with the calculation of net debt refined to ensure its original meaning is retained.
	  • Separating liabilities into financial liabilities and non-financial liabilities.
	  • Restructuring the statement of financial position to present total assets followed by total liabilities.
	  • Changes to common terminology used in the financial statements, including re-naming accumulated surplus (deficit) to net assets (liabilities).
	  • Removal of the statement of remeasurement gains (losses) with the information instead included on a new statement called the statement of changes in net assets (liabilities). This new statement would present the changes in each component of net assets (liabilities), including a new component called “accumulated other”.
	  • A new provision whereby an entity can use an amended budget in certain circumstances.
	  • Inclusion of disclosures related to risks and uncertainties that could affect the entity’s financial position.
	• The Public Sector Accounting Board is currently deliberating on feedback received on exposure drafts related to the reporting model.

Appendix F: Changes in accounting standards (continued)

Standard	Summary and implications
Employee benefits	• The Public Sector Accounting Board has initiated a review of sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. • The intention is to use principles from International Public Sector Accounting Standard 39 *Employee benefits* as a starting point to develop the Canadian standard. • Given the complexity of issues involved and potential implications of any changes that may arise from the review of the existing guidance, the new standards will be implemented in a multi-release strategy. The first standard will provide foundational guidance. Subsequent standards will provide additional guidance on current and emerging issues. • The proposed section PS 3251 *Employee benefits* will replace the current sections PS 3250 *Retirement benefits* and PS 3255 *Post-employment benefits, compensated absences and termination benefits*. It will apply to fiscal years beginning on or after April 1, 2026. Early adoption will be permitted and guidance applied retroactively. • This proposed section would result in public sector entities recognizing the impact of revaluations of the net defined benefit liability (asset) immediately on the statement of financial position. Organizations would also assess the funding status of their post-employment benefit plans to determine the appropriate rate for discounting post-employment benefit obligations. • The Public Sector Accounting Board is in the process of evaluating comments received from stakeholders on the exposure draft.

Appendix G: Audit and assurance insights

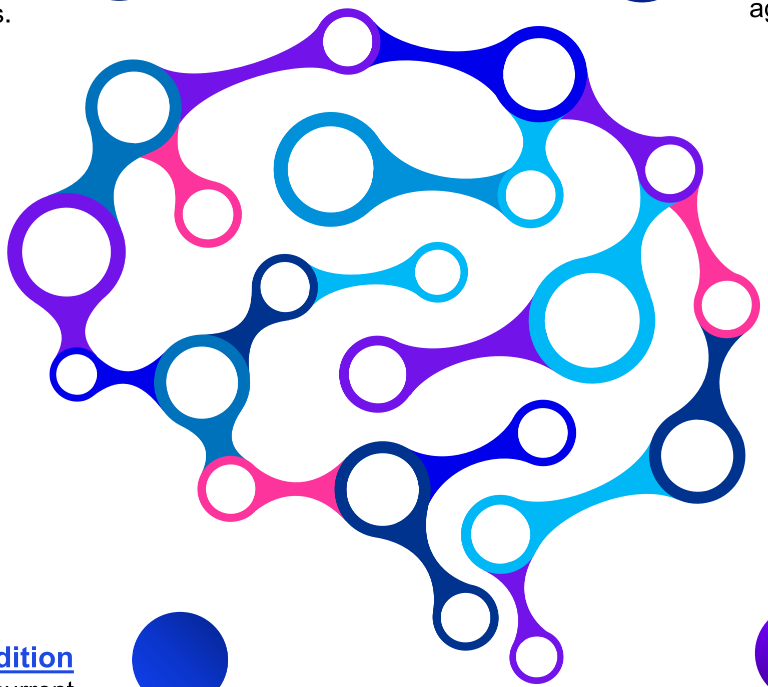
Our latest thinking on the issues that matter most to Audit Committees, board of directors and management.

KPMG Audit & Assurance Insights
Curated research and insights for audit committees and boards.

Board Leadership Centre
Leading insights to help board members maximize boardroom opportunities

Current Developments
Series of quarterly publications for Canadian businesses including Spotlight on IFRS, Canadian Securities & Auditing Matters and US Outlook reports.

Audit Committee Guide – Canadian Edition
A practical guide providing insight into current challenges and leading practices shaping audit committee effectiveness in Canada.



Accelerate 2023
The key issues driving the audit committee agenda in 2023.

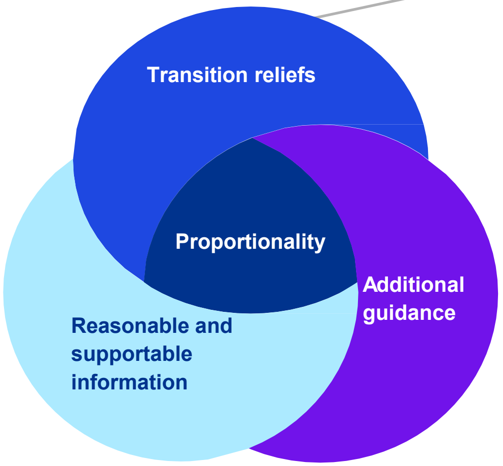
Momentum
A quarterly newsletter with the latest thought-leadership from KPMG's subject matter leaders across Canada and valuable audit resources for clients.

KPMG Climate Change Financial Reporting Resource Centre
Our climate change resource center provides insights to help you identify the potential financial statement impacts to your business.

IFRS Breaking News
A monthly Canadian newsletter that provides the latest insights on international financial reporting standards and IASB activities.

Appendix H: Suite of optional transition reliefs

In response to practical concerns, the standards allow for transition reliefs, applicable only in the first year of application



Climate-first option

Allows entities to report only on climate-related risks and opportunities

Timing of sustainability reporting

Allows entities to report sustainability-related financial disclosures after their financial statements, but by Q2 interim reporting

Disclosing scope 3 GHG emissions

Relief from disclosing scope 3 greenhouse gas (GHG) emissions

Presenting comparative information

Allows entities an additional year to report comparative information

If climate-first option is elected, only climate-related comparative information is required in the second year of application

Using the GHG Protocol

Relief from using the GHG Protocol Standards to measure greenhouse gas emissions for entities that currently use a different methodology

Appendix H: Questions to start getting ready

01

When could they affect you?

- Effective for annual reporting periods beginning on or after January 1, 2024 (pending adoption decisions in Canada)
- If not adopted, entities may still choose to adopt the standards voluntarily

02

Where will the information be disclosed?

- It depends – the standards currently do not specify a single location
- The ISSB is committed to focus on integration in reporting

03

What if you've already adopted other frameworks?

- Map how the standards differ from current frameworks used (i.e., conduct a reporting gap assessment)
- Focus on matters that affect your entity's prospects and consider what will impact an investor's assessment of those prospects
- Consider where additional data is needed

04

Will they require scenario analysis?

- Entities will need to use scenario analysis when describing their assessment of climate resilience (i.e., analyze the impact of different climate-related risks and assumptions)
- The ISSB will provide guidance on the analysis that will be appropriate for different types of entities

05

Will your reporting need assurance?

- Assurance requirements are not within the remit of the ISSB
- In Canada, regulators may choose to require assurance – similar to what has been directed in the EU and proposed by the SEC
- Regardless of regulatory assurance requirements, entities will need to ensure they have processes and controls in place to produce robust and timely information

06

What do they mean for broader sustainability reporting?

- The standards are part of an evolution from fragmented, voluntary frameworks to authoritative standard setting
- Reporting to meet public policy and other needs is likely to continue as a separate strand of reporting

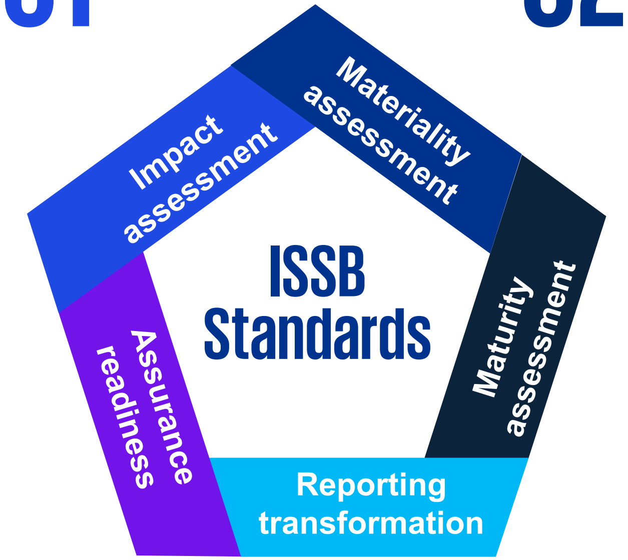
Appendix H: What do you need to do now?

01 Understand the Impact

- Research and understand current and emerging requirements
- Understand when, where and how this will impact your company

02 Determine what is material

- Determine which topics are relevant to report on
- Decide what information is material about those topics



03 Assess maturity

- Assess maturity of processes, the control environment, data model and policies related to ESG
- Understand the current distribution of roles and available knowledge and capacity

04 Transform reporting

- Design the future state of your sustainability reporting
- Deploy your target operating model, including training as well as support for change management

05 Get ready for assurance

- Assess the control environment, data quality and availability of sufficient documentation
- Undergo an assurance readiness assessment with your auditor
- Rectify issues ahead of the formal assurance process (when and if mandated in Canada).

Appendix H: Regulatory updates

Recent Activity[1,2,3]

EU (EFRAG)

- The European Financial Reporting Advisory Group (EFRAG) was mandated to develop draft European Sustainability Reporting Standards (ESRSs) setting out the detailed disclosure requirements under the CSRD
- There are considerable ESG reporting implications for non-EU based entities - scope includes non-EU entities or groups with significant operations in the EU
- In June 2023, the European Commission released a series of proposed changes to the draft ESRSs. The most significant amendments to the proposals are:
  - General disclosures under the ESRS will remain mandatory. Other ESRS disclosures will be subject to a materiality assessment;
  - Additional phase-in relief for all entities; and
  - Amendments aiming to improve interoperability with international standards and to align with other European legislation
- The EU is expected to adopt the final standards in August 2023

SEC

- Proposal published in March 2022 would require investor-focused climate disclosures
- In June 2023, the SEC released its updated regulatory agenda, which listed a final climate rule to be issued in October 2023
- The SEC's updated regulatory agenda also included various other ESG-related items, including a final rule on cybersecurity risk governance and proposals on corporate board diversity and human capital disclosures

OSFI B-15

- In March 2023, OSFI published its final guideline *B-15 Climate Risk Management.* The requirements will be effective fiscal year-end 2024 for Domestic Systemically Important Banks and Internationally Active Insurance Groups headquartered in Canada, and fiscal year-end 2025 for all other in-scope federally regulated financial institutions (FRFIs)
- FRFIs will be required to report climate-related financial disclosures no later than 180 days after fiscal year-end
- Final disclosure expectation and/or timing of implementation of OSFI-specified prudential cross-industry and industry-specific metrics to be determined at a later date
- Assurance not required at this time, but FRFIs should work towards a future state in which external assurance is expected

CSA

- Proposal published in October 2021 would require investor-focused climate disclosures
- In October 2022, the CSA stated that it continues to actively consider international developments and how they may impact or inform its proposed climate-related disclosure rule

What about the CSSB?

- The CSSB's mandate is to develop and support the adoption of international sustainability standards in Canada
- In April 2023, the CSSB's first-ever chair and initial members were appointed

1. Refer to our US Quarterly Outlook publication for regulatory updates on the proposed SEC climate rules
2. Refer to our publication ESRS resource centre for developments on the proposed ESRSs
3. Refer to our guide which compares the sustainability proposals issued by the ISSB, SEC and EFRAG

Appendix I: Continuous evolution

Our investment: $5B

We are in the midst of a five-year investment to develop our people, digital capabilities, and advanced technology.

Responsive delivery model

Tailored to you to drive impactful outcomes around the quality and effectiveness of our audits.

Result: A better experience

Enhanced quality, reduced disruption, increased focus on areas of higher risk, and deeper insights into your business.

Standardization

+

Automation

+

Centralization

Methodology and Approach

Data and tech enablement + Center for Audit Solutions + Next-gen auditor

Quality Management System

Enhanced audit quality

+

Increased efficiency

+

Exceptional experiences

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