

President
of the Treasury Board



Présidente
du Conseil du Trésor

Ottawa, Canada K1A 0R5

Mr. John Williamson, M.P.
Chair
Standing Committee on Public Accounts
House of Commons
Ottawa, Ontario
K1A 0G6

Dear Mr. Williamson:

Pursuant to Standing Order 109 of the House of Commons, on behalf of the Government of Canada, I am pleased to provide the Government Response to the twenty-ninth Report of the Standing Committee on Public Accounts (PACP) entitled, “Public Accounts of Canada 2022.”

I would like to take the opportunity to thank you and the members of the Standing Committee for your dedicated and cooperative work to improve the Public Accounts of Canada.

Recommendation 1

The Government agrees with the recommendation, and a report detailing the current reporting done by federal organizations in relation to environment, social, and governance as well as sustainable development criteria is annexed to this response.

The Government also commits to provide PACP with any new relevant reports released before January 31, 2024.

There is currently a significant level of effort to develop common sustainability-related disclosure standards and, as standards are developed, the Government will consider their implementation. The International Sustainability Standards Board (ISSB) was created in 2021 and the Canadian Sustainability Standards Board (CSSB) became operational in June 2023. These boards are focused on creating common sustainability disclosure standards for private sector enterprises to improve consistency amongst private sector entities.

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These standards will be leveraged by the Sustainability Task Force of the International Public Sector Accounting Standards Board for the development of sustainability disclosure standards for the public sector. As Canadian standards for public sector entities are developed, the Government will review and assess how they will be implemented as part of its sustainability reporting regime.

Recommendation 2

The Government commits to explore, including through stakeholder consultations, the potential for greater transparency in the Public Accounts of Canada, including with respect to the names of any corporations that receive loan forgiveness from the Government, which includes departments, agencies, and Crown corporations and the value of each forgiven loan, recognizing that different considerations may apply to Crown corporations as arm's length organizations. The Government will report back to PACP on the outcomes of the consultation with government departments, agencies, and Crown corporations by Fall 2024.

The Government also thanks the Committee for its encouragement to fix the problems associated with the Phoenix pay system. The Government continues to invest and work diligently to ensure that public servants are paid correctly and on time and that benefits to support Canadians and businesses during the COVID-19 pandemic were claimed appropriately.

We would like to take the opportunity to thank you and the members of the Standing Committee again for your important work.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Anita Anand". The signature is fluid and cursive, with a long horizontal stroke at the end.

The Honourable Anita Anand, P.C., M.P.

Environmental scan on federal reporting mechanisms for environmental, social, governance, and sustainable development criteria

The twenty-ninth Report of the House of Commons Standing Committee on Public Accounts (PACP) recommends, “That, by 31 January 2024, the Treasury Board of Canada Secretariat provide the House of Commons Standing Committee on Public Accounts with a report explaining the measures taken to improve accounting practices requiring federal organizations to present detailed reports about their environmental, social, and governance as well as sustainable development criteria.”

The form of the Public Accounts of Canada is directed by the President of the Treasury Board and the Minister of Finance. There are no mandatory accounting requirements related to disclosures on sustainability regarding the Government’s financial statements, which are based on standards established by the Public Sector Accounting Board of Chartered Professional Accountants Canada. The Government has chosen to present the reporting mechanisms discussed below to provide parliamentarians and the public with information on environmental, social, and governance (ESG) and sustainable development activities.

Existing Reporting Requirements

Federal Sustainable Development Act

The *Federal Sustainable Development Act* (FSDA) requires the Minister of Environment and Climate Change to table and report on a Federal Sustainable Development Strategy (FSDS) once in every three-year period. In 2020, amendments to the FSDA broadened the environmental focus of the FSDS to integrate environmental, economic, and social aspects of sustainability. The 2022–2026 FSDS includes sustainable development goals, targets, indicators, milestones, and implementation strategies across 101 federal organizations.

Under the FSDA, 99 federal organizations must table their own departmental sustainable development strategy (DSDS) in support of FSDS goals, within one year after the federal strategy is tabled.

Reporting on sustainable development actions and results occurs through:

- **FSDS progress reports**, which are tabled once in every three-year period, describing the Government’s progress toward its sustainable development goals and targets; and
- **DSDS reports**, which are tabled for at least two years after the DSDS is tabled, describing the federal organizations’ progress in implementing their actions in support of FSDS implementation strategies. DSDS reporting encompasses progress toward greenhouse gas emissions reductions, implementation of the *United Nations Declaration on the Rights of Indigenous Peoples Act* Action Plan, actions to support the Greening Government Strategy and Policy on Green Procurement, and actions to support the United Nations Sustainable Development Goals.

Greening Government Strategy

The Greening Government Strategy is a Cabinet Directive that mandates a set of commitments that apply to all core government departments and agencies. It directs these entities within the Government of Canada to transition operations to reach net-zero carbon and become more climate-resilient, while reducing environmental impacts on waste, water, and biodiversity. The Centre for Greening Government, led by the Treasury Board of Canada Secretariat, publicly discloses detailed environmental performance information on government operations, including a complete inventory of federal greenhouse gas emissions (<https://www.canada.ca/en/treasury-board-secretariat/services/innovation/greening-government/government-canada-greenhouse-gas-emissions-inventory.html>). Further details on the Government of Canada's Greenhouse Gas Emissions Inventory can also be found on the Open Government Portal (<https://open.canada.ca/data/en/dataset/6bed41cd-9816-4912-a2b8-b0b224909396>). Progress on the Strategy is updated annually and the scope of reporting will be improved regularly. For example, additional reporting was provided on scope 3 emissions related to procurement in 2022-23, and further information will be provided on topics such as waste and climate-resilience as departments begin reporting on it.

Reporting Against Task Force on Climate-Related Financial Disclosures Standards

In Budget 2021, the Government of Canada announced that federal Canadian Crown corporations will be asked to report in line with the Task Force on Climate-related Financial Disclosures (TCFD) standards, or according to more rigorous, acceptable standards, to demonstrate climate leadership to the private sector. Entities with over \$1 billion in assets were asked to begin complying with this new requirement for their 2022 financial year. Entities with less than \$1 billion in assets have until their 2024 financial year to comply or provide justification as to why climate risks do not have material impacts on their operations.

Canadian Net-Zero Emissions Accountability Act

The purpose of the *Canadian Net-Zero Emissions Accountability Act* (CNZEEA) is to require the setting of national targets for the reduction of greenhouse gas emissions and to promote transparency, accountability, and immediate and ambitious action in support of achieving those targets, as well as achieving net-zero emissions in Canada by 2050 and Canada's international commitments surrounding climate change mitigation. The CNZEEA requires regular tabling of progress reports toward achieving the greenhouse gas emissions target. The first progress report must be published by the end of 2023, with further progress reports in 2025 and 2027. Following that, progress reports will be published no later than two years before the beginning of their relevant milestone years (2035, 2040, 2045, and 2050).

Under section 23 of the CNZEEA, the Minister of Finance must, in cooperation with the Minister of the Environment, prepare an annual report respecting key measures that the federal public administration has taken to manage its financial risks and opportunities related to climate

change (e.g., measures to make federal real property more resilient to climate change). The Minister of Finance must make that report available to the public.

Section 23 came into force on March 31, 2023, by an Order in Council. To demonstrate their commitment to comply with the requirements of the act, the Government intends to publish the first report, covering 2023-2024, by the end of 2024 and will publish annually thereafter.

Canada's Green Bond Framework

The Government of Canada launched its green bond program, publishing the Green Bond Framework (the Framework) (<https://www.canada.ca/en/department-finance/programs/financial-sector-policy/securities/debt-program/canadas-green-bond-framework.html>) in March 2022, and issuing an inaugural \$5 billion green bond. Through green bond issuances, Canada aims to support its climate plan and environmental objectives, and to further develop the Canadian sustainable finance market by adding liquidity and highly rated ESG assets. Under the Framework, the Government has committed to regular reporting on the allocation of funds raised through the issuance of green bonds to eligible green expenditures, as well as the environmental impacts of these expenditures. The Government released the first allocation report on March 28, 2023, and will publish an inaugural impact report by the end of March 2024.