

December 17, 2020

IFRS Foundation Trustees
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 HD
United Kingdom

Dear Trustees,

Re: Consultation Paper on Sustainability Reporting

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the IFRS Foundation Trustees *Consultation Paper on Sustainability Reporting* (Consultation Paper). The AASB is an independent body with the authority and responsibility to set standards and guidance for quality control, audit, other assurance, and related services engagements in Canada.

We support efforts to bring global consistency and comparability to the sustainability reporting landscape. This includes the Consultation Paper and the Statement of Intent to Work Together Towards Comprehensive Corporate Reporting issued by five significant international global organizations¹ focused on sustainability and integrated reporting frameworks and standards.

All stakeholders have a role to play and need to work together in the development of a globally accepted and internationally recognized set of sustainability reporting standards. This requires the development of strong working relationships among:

- **Existing framework developers** – The current reporting environment is fragmented. We understand that the resulting lack of standardization of reporting standards is impeding the ability for environmental, social and governance (ESG) disclosures to serve the needs of users.² We acknowledge and support the efforts noted in the Consultation Paper to bring all interested parties together to collaborate on the way forward.

¹ CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC); and the Sustainability Accounting Standards Board (SASB).

² e.g. November 25, 2020 - Globe and Mail, *Canada's top pension funds issue rare joint call for better ESG disclosures.*

- **The community that prepares and uses sustainability information** - The development of sustainability reporting standards needs to involve the sustainability reporting community which goes beyond the investor community.
- **The International Auditing and Assurance Standards Board (IAASB) and the accounting profession as leading providers of independent assurance services** – We understand that providing assurance services over sustainability reporting is increasing in Canada³ as well as globally. This increasing demand further supports the need for coordination between reporting and assurance standards developers.

Following are responses to questions 1, 3 and 10 of the Consultation Paper, which we believe are most relevant to the work of the AASB.

Responses to Specific Questions

Question 1

Is there a need for a global set of internationally recognized sustainability reporting standards?

- a) If yes, should the IFRS foundation play a role in setting these standards and expand its standard-setting activities into this area?
- b) If not, what approach should be adopted?

We support efforts to bring global consistency and comparability to sustainability reporting which we believe could be achieved through the development of a globally accepted and internationally recognized set of sustainability reporting standards.

We believe that to achieve broad acceptance and enable consistent application, these standards should have the following essential characteristics:

- be principles-based;
- support relevant and timely reporting;
- encourage the faithful representation of sustainability information – This includes considering the completeness and neutrality of what is reported;
- allow for consistency in reporting by the entity and comparability between entities;
- promote understandability through clear and concise reporting; and
- result in information that is auditable. Refer to our response to question 10.

³ A recent study by KPMG stated that 43% of Canadian organizations that report on sustainability seek third party assurance in 2020 (an increase of 135% since 2017) - <https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf>

Question 3

Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

In our view, in considering whether the Trustees should further develop the sustainability standards board option, the following requirements for success should be added to those set out in paragraph 31:

- following a robust standard setting process, including due process; and
- ensuring multi-stakeholder input, including the input of assurance experts.

We also emphasize the importance of the following requirements for success:

- Para 31 (d) Achieving appropriate technical expertise for the Trustees, Sustainability Standards Board members and staff – The IFRS foundation will need to have or engage expertise beyond its current discipline of financial reporting to also include expertise on sustainability-related subject matter information reporting.
- Para 31 (g) Ensuring the current mission and resources of the IFRS Foundation are not compromised – We believe the IFRS Foundation will need to modify its mission which is focused on financial information and financial markets, to acknowledge a broader scope of stakeholders that prepare and use sustainability information.

Question 10

Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

We believe that it is in the public interest that reported sustainability information be auditable.

To be auditable, suitable criteria⁴ are required that allow for reasonably consistent measurement and evaluation of underlying subject matters. Without such criteria, an auditor will not be able to obtain assurance as their conclusions would be open to individual interpretation and misunderstanding. Accordingly, we support the development of sustainability reporting standards that:

- allow for assurance services to be provided using an internationally recognized assurance standard, such as the IAASB's ISAE 3000 and any related guidance; and

⁴ Suitable criteria is described in ISAE 3000, *Assurance Engagements other than Audit or Reviews of Historical Financial Information*, Paragraph 24(b)(ii).

- exhibit the following characteristics of suitable criteria:
 - relevance;
 - completeness;
 - reliability;
 - neutrality; and
 - understandability.

We also encourage the involvement of assurance experts and the IAASB throughout the process of developing sustainability reporting standards.

Further, we believe that it will be important to avoid widening the expectation gap (the difference between what users think auditors do and what they actually do). This could arise if an auditor is reporting a different level of assurance obtained on sustainability information as compared to the level of assurance obtained on a set of financial statements. Accordingly, we believe that efforts should be made to develop sustainability reporting standards that result in sustainability information upon which an auditor can obtain reasonable assurance, when requested to do so.

We hope our comments will be useful to the IFRS foundation in determining the appropriate next steps. If you have any questions or require additional information, please contact me at kcharbonneau@asbcanada.ca or Karen DeGiobbi at kdegiobbi@asbcanada.ca.

Yours very truly,



Ken Charbonneau, FCPA, FCA, ICD.D
Chair, Auditing and Assurance Standards Board (Canada)

c.c. Canadian Auditing and Assurance Standards Board members