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**Re: Consultation Paper on Sustainability Reporting**

Dear IFRS Foundation Trustees,

Thank you for the opportunity to respond to the IFRS Foundation Trustees' Consultation Paper on Sustainability Reporting (the Consultation Paper). This response has been prepared jointly by the Accounting Standards Oversight Council (AcSOC) and the Auditing and Assurance Standards Oversight Council (AASOC), which oversee the activities of Canada's independent accounting and auditing standard-setting boards. Our primary mandate is to provide input in terms of strategic direction to ensure that the boards follow due process and consider the public interest and the needs of all users when setting standards.

We applaud the Foundation for entertaining this fundamental project which we believe is in the public interest. In Canada too, we have seen a major shift in favor of sustainable finance underway by issuers, large public pension funds, money managers and bankers. All those players would greatly benefit from an international common framework and standards to report ESG information. This letter focuses on two key areas. Our responses to the specific questions in the Consultation Paper are provided in the appendix.

**1. Support for the IFRS Foundation having a role in Sustainability Standards**

There is an urgent need for a set of standards for sustainability reporting that are globally accepted and internationally recognized. We support the IFRS Foundation expanding its standard-setting activities into this area. The IFRS Foundation is uniquely positioned to bring together the various bodies involved, in particular the Group of Five, to establish globally accepted sustainability standards. It has a strong history of credibility as an international standard setter, developing high-quality, principles-based standards for financial reporting. Its involvement would also foster the necessary links between financial reporting standards and sustainability standards.

While we are broadly supportive of the direction set out in the Consultation Paper, we highlight some necessary conditions for its success:

- The constant engagement of users in the development of global sustainability standards will be a defining and critical element for success of the SSB. Sustainability standards must be primarily grounded in the needs of capital providers but also take into consideration the needs of other stakeholders as standards evolve overtime. Likewise, the needs of the public sector should not be forgotten. A building blocks approach, as suggested by many organizations, should be considered seriously.
- The standards developed need to be principles based. They would serve as an overarching framework for the development of specific industry guidelines and metrics which need to be set concurrently. It is recognized that these guidelines and metrics may evolve and change frequently. The SSB must be prepared to remain flexible on guidelines but unwavering on principles.

- Time is of the essence. Sustainability standards need to be developed using a new governance and accountability model that is nimbler and more efficient than the development of international accounting standards. They must be developed at a much faster pace and implemented rapidly. If disappointed, the user communities will likely pivot to alternatives that can produce more timely results.
- While timeliness is critical, quality and due process will remain important. However, the SSB must recognize that attaining perfection, like the definition of materiality, should become a more dynamic concept. Standards should be developed with an understanding that they will be evolving and that improvements will be addressed in subsequent iterations.
- It is imperative that existing initiatives be leveraged. The creation of the SSB's first series of standards must incorporate the pioneering work of organizations that are coalescing on this initiative. The SSB could become more of a curator than original author, at least in the early stages. In particular, it should seriously consider starting with SASB and TCFD (with the Prototype climate standard put forward by the Group of Five), and in later iterations, see how they can be improved.
- As for speed of execution, the IFRS Foundation needs to think in terms of months not years. The timeframe to decide *how* this will be done is short. An early statement to the effect that SASB and the Prototype will form the basis of SSB first standards and therefore, suggest that they be followed in the interim, would send a strong and reassuring signal to the user community. It will be important to work closely with the Group of Five to demonstrate a change in governance and user focus.

## 2. Scope of Activities

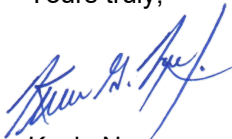
The Consultation Paper proposes that the SSB prioritize sustainability standards for climate-related financial disclosures before potentially broadening its remit to other areas of sustainability reporting. While we understand the urgency of climate-related financial disclosures, it would be a mistake to focus on these alone. Rather, the SSB should take a comprehensive approach that includes all of ESG. It would be feasible if standard setting starts with SASB and TCFD. A comprehensive approach to sustainability reporting, that recognizes the interrelationships between environmental, social and governance factors is essential.

### Conclusion

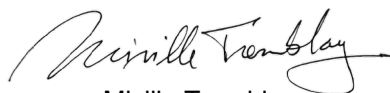
The successful creation of an accepted SSB and its standards represents a material challenge. Yet, done right, this will culminate in an enduring legacy that all contributors will be proud of.

We appreciate the opportunity to participate in this important consultation. We would be pleased to provide additional support to the IFRS Foundation as you progress in this important work. Please contact Stephenie Fox, Vice President of Standards at CPA Canada ([sfox@frascanada.ca](mailto:sfox@frascanada.ca)) if you require any clarification or would like to discuss our comments in greater detail.

Yours truly,



Kevin Nye  
Chair, AASOC



Miville Tremblay  
Chair, AcSOC

Cc Maria Theofilaktidis

**Appendix A  
Responses to Questions for Consultation**

Question	Response
<p>1. Is there a need for a global set of internationally recognized sustainability reporting standards?</p> <p>(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?</p> <p>(b) If not, what approach should be adopted?</p>	<p>Yes. We strongly support the development of a common global set of reporting standards for sustainability reporting.</p> <p>The Foundation should adopt a fresh and dynamic approach to the SSB's standard-setting processes in order to rapidly incorporate and leverage existing work and expertise in this field.</p>
<p>2. Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainability reporting?</p>	<p>A SSB under the IFRS Foundation is necessary but not sufficient for success. Both the Foundation and the SSB, to different degrees, will require a more diverse expertise and skillset than for developing accounting standards.</p>
<p>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)?</p>	<p>These are the necessary conditions for success, further explained in our letter:</p> <ul style="list-style-type: none"> <li>• Focus on user needs, primarily those of capital providers, and overtime those of all stakeholders. A building block approach should be considered.</li> <li>• Principled based standards, with industry specific guidelines and metrics.</li> <li>• More effective governance and nimbler business model.</li> <li>• Shorter time to produce standards and willingness to address shortcomings in later iterations.</li> <li>• Leverage existing work of the Group of Five and make early signal that SASB and TCFD will form the basis of first standards.</li> </ul>
<p>4. Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?</p>	<p>Yes. The Foundation is well-positioned to use its relationships with stakeholders, including policy makers and regulators, to contribute to the adoption of SSB standards globally.</p> <p>The active engagement of the user community is a pressing need and fundamental for the success of the SSB. However, it should also look beyond current relationships and engage with new stakeholders such as environmental groups in civil society.</p>
<p>5. How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?</p>	<p>It is imperative that existing initiatives of the Group of Five be leveraged.</p> <p>The SSB could become more of a curator than original author, at least in the early stages. In particular, it should seriously consider starting with</p>

	<p>SASB and TCFD (with the Prototype climate standard put forward by the Group of Five), and in later iterations, see how they can be improved.</p> <p>It will be important to issue standards as quickly as possible, with an understanding that improvements will be addressed in subsequent iterations.</p>
<p>6. How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?</p>	<p>The building blocks approach suggested by IFAC and the Group of Five would allow the SSB to start by focusing on the financial and value materiality for the capital providers and let other frameworks offer complementary disclosure requirements demanded by other stakeholders.</p> <p>Governments could also require additional disclosures and requirements on top of the SSB basic information.</p> <p>Overtime, the SSB would likely broaden its scope, including the needs of public sector accounting.</p>
<p>7. If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?</p>	<p>The SSB should take a comprehensive approach that includes all of ESG. The interrelationships between environmental, social and governance factors is important. That said, we recognize the particular urgency of the climate file.</p>
<p>8. Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?</p>	<p>The climate-related risk is a first step. However, the SSB will need to broaden its scope to all environment factors given the complex interrelationships involved.</p>
<p>9. Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?</p>	<p>Yes. The proposed approach to materiality is less likely to impede adoption of the standards. The speed of execution is critical to success.</p> <p>The building block strategy is the best compromise that can be achieved at this time.</p>
<p>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?</p>	<p>Yes. We strongly support the need for sustainability information to be verifiable. It is in the public interest and an important factor to achieve credibility and wide adoption.</p> <p>We recommend a strong working relationship with the International Auditing and Assurance Standards Board (IAASB).</p> <p>Canada's Auditing and Assurance Standards Board has provided more detailed feedback on this issue and we support the perspective expressed in their response</p>

11. Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

The Consultation Paper is not explicit about the applicability of the sustainability standards for the public sector, which is a major part of the global economy. Canada's Public Sector Accounting Board has provided you with more detailed feedback on this and we support their perspective.