

December 18, 2020

IFRS Foundation Trustees
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By e-mail: commentletters@ifrs.org

Re: Response to *Consultation Paper (CP) on Sustainability Reporting*

Thank you for the opportunity to provide input on the IFRS Foundation Trustees' initiative to explore the need for global sustainability reporting standards. We appreciate the leadership this consultation represents on an issue of urgent global significance.

The Public Sector Accounting Board (PSAB) is one of Canada's independent standard-setting boards. PSAB serves the public interest by establishing high-quality accounting and financial reporting standards and other guidance for public sector entities in Canada.

In Canada, the public sector comprises governments and their controlled entities and represents at least 44% of the economy¹. The structure of governments in Canada includes the federal and provincial governments, Indigenous governments, territorial and municipal governments.

We noted that the consultation paper does not directly address the public sector. So, we have not provided input on the specific questions asked by the IFRS Foundation Trustees. Instead, we refer you to the responses prepared by CPA Canada, the Canadian Accounting Standards Board (AcSB) and our shared oversight body, the Accounting Standards Oversight Council

¹ <https://www.macdonaldlaurier.ca/size-of-government-in-canada/>

(AcSOC), and the Canadian Auditing and Assurance Board (AASB) and its oversight body, the Auditing and Assurance Oversight Council (AASOC) on the detailed questions.

While we recognize that the work of the IFRS Foundation is focused on the private sector, we strongly encourage that any future action on sustainability reporting be a global, joint private sector-public sector effort. We do so because, in our opinion, the following perspectives highlight the interconnection between the public and private sectors around sustainability.

- Many sustainability issues transcend borders and sectors. Reporting on sustainability and addressing sustainability issues must transcend sectors too.
- The success of sustainability reporting will depend on the degree of global collaboration and the consistency and relevance of the information reported for both investors and global citizens. As such, the full economy must be considered in such reporting.
- The economic impact of governments' fiscal and monetary policy, regulation and intervention for social and economic purposes has been clearly demonstrated by the Covid-19 pandemic². More than ever, governments should not be left out of the sustainability conversation.
- Domestic and international policy initiatives and legislation/regulation may have a significant impact on sustainability reporting. In Canada, for example, net zero emissions legislation is being tabled³, relevant climate related data is being collected in Canada by Environment and Climate Change Canada⁴ and indicators are being developed, such as the Canadian Environmental Sustainability Indicators⁵. Furthermore, countries may develop policies based on the United Nations (UN) Sustainable Development Goals (SDGs) or the UN Declaration of the Rights of Indigenous Peoples (UNDRIP⁶), especially Article 29.

As a result, we submit that the public sector has a role to play in ensuring the success of this venture. Consideration of the public sector in setting sustainability reporting standards may at a minimum reduce inconsistencies in reporting requirements across sectors and ensure use of a common language and consistent unit of measure for sustainability reporting.

As financial statement preparers, users of corporate financial reports, regulators, funders, entities impacted by climate change and other environmental risks, owners of considerable land

² <https://home.kpmg/xx/en/home/insights/2020/06/covid-19-and-the-global-economy.html>

³ <https://www.canada.ca/en/environment-climate-change/news/2020/11/government-of-canada-charts-course-for-clean-growth-by-introducing-bill-to-legislate-net-zero-emissions-by-2050.html>

⁴ <https://www.canada.ca/en/environment-climate-change.html>

⁵ <https://www.canada.ca/en/environment-climate-change/services/environmental-indicators/latest.html>

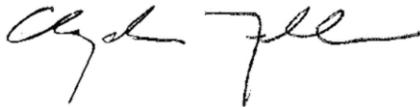
⁶ <https://www.un.org/development/desa/indigenouspeoples/declaration-on-the-rights-of-indigenous-peoples.html>

and other natural resources, and more importantly as managers and influencers of the economy, governments must be part of the sustainability reporting conversation. In fact, we suggest the IFRS Foundation consider a Public Sector Advisory Committee to the Sustainability Standards Board (SSB) as a way to incorporate the public sector perspective.

Given the immediacy of the issues, we agree that any global initiative of this kind should build on the sustainability reporting work already done by several bodies. While all elements of sustainability reporting are important, we appreciate the need to start with the most urgent. Given the critical nature of the climate crisis, it makes sense to address climate-related sustainability reporting first, in the hope that what is measured is managed. Reporting that brings visibility to climate-related impacts on corporations, governments and the economy is necessary for both accountability and decision-making.

In closing, we will be closely observing developments in creating a Sustainability Standards Board that builds on the work of existing initiatives in both the private and public sectors and we would be happy to consult on the integration of the public sector into this high-priority venture.

Sincerely,



Clyde Maclellan, FCPA, FCA
Chair, Public Sector Accounting Board of Canada
Président, Conseil sur la comptabilité dans le secteur public du Canada

On behalf of the Public Sector Accounting Board (PSAB)

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