



31 March 2022

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Via email: info@ircscanada.ca

To whom it may concern

Consultation: Independent Review Committee on Standard Setting in Canada

The Corporate Reporting Users' Forum (CRUF) welcomes the opportunity to provide the Independent Review Committee on Standard Setting in Canada with our comments.

The CRUF was established globally in 2005 and we have been holding regular meetings since. The CRUF has prepared this comment letter based on discussions in CRUF meetings and have reflected input from our local CRUF members in Canada. As always, we do not seek to reach a consensus within the CRUF but to reflect a broad spectrum of users' views. We have highlighted any contrasting views in our response. Our comments are based on our professional experience as users of corporate reporting.

Overall comments

We welcome the Independent Review Committee on Standard Setting in Canada's consultation paper. There is an urgent and global need for international sustainability standards. We believe that there have been improvements in the quality, consistency, and comparability of financial statements since the introduction of International Financial Reporting Standards (IFRS). Similarly, a set of standards relating to sustainability reporting would lead to improvements that would be valued by users of financial statements.

We welcome the creation of a Canadian Sustainability Standards Board (CSSB), with the following considerations:

- Since the International Sustainability Standards Board (ISSB) is focused on standard setting that will be relevant to a broad range of entities, the CSSB's time would be most efficiently spent not duplicating the work of the ISSB.
- The CSSB's time could be utilized more efficiently by:
 - Giving input into the international standard setting process on matters affecting Canadian reporters;
 - Providing guidance on the application of international standards in a Canadian context;
 - Focusing on Canadian reporters that may not be catered for under international standards (for example private entities or government entities).

Independence of standard setting is a fundamental requirement of any standard setting body, and would be crucial in establishing the CSSB. We would consider the following with regards to independence:

Funding

- Any parties providing funding would expect to have influence over and privileged access to a board. Safeguards should be put in place to avoid any undue influence or access.
- The potential user base for sustainability standards is broader than that of accounting standards, and therefore it might be possible to obtain funding from sources not available to accounting standard setters.
- A diversified pool of funding would prevent any one party from attempting to exert influence on the process through financial contributions;
- Certainty of an adequate level of funding is necessary to allow a Board to function for a long enough period.

Legal structure

- The least complicated and efficient legal structure would be preferable, as time is of the essence in establishing a board.

Composition

- The CSSB should consist of technically strong members from a variety of different backgrounds who are invested in the outcomes (for example engineers, environmental scientists, governance experts etc).
- Organizations or bodies that are invested in the process of the CSSB should also be represented (for example, environmental organizations, indigenous rights organizations).
- Users of financial statements tend to be underrepresented in the standard setting process, and we would encourage a greater focus on members who are users of sustainability information on the CSSB.

Taking the above into account, a board should be put in place as quickly as possible in order to address any matters that may arrive from a Canadian perspective. This need outweighs the need to set up an “ideal” or “perfect” structure.

In summary, we urge the future CSSB to be practical, be part of the discussion and to help build the standards.

Our answers to selected questions in the consultation paper are set out below.

Question 1

The Committee welcomes comments on this approach to its mandate.

We are supportive of the committee’s approach to its mandate. We acknowledge that measuring success, both of the committee and in the AcSB (if they are under review) will always be somewhat subjective. A transparent approach is very important.

Question 2

Do you think the development of a common public interest framework would be helpful to Canada's standard-setting boards and oversight councils? Are there critical elements to such a framework?

We believe there is a public interest framework in practice already, however it is not publicly formulated. Critical elements would include the reputation of the process, independence of the committee/board and disclosure of conflicts.

Question 3

Do you have comments on how best to ensure that standard-setting processes reflect and respond to Canada's diverse populations, including the unique rights of and responsibilities to Indigenous Peoples?

Diversity can be achieved by outreach to interested stakeholders, education about the process to those potential stakeholders that are not aware of the process, consideration of stakeholders' conflicts of interest and weighting of inputs to mitigate lobbying or letter writing campaigns.

Question 4

Do you agree that a Canadian sustainability standards board should be established? Are there any special factors, beyond those outlined above, that should be considered in addressing this threshold issue?

As mentioned in the overall comments above, we are supportive of the creation of a sustainability standards board for the same reasons that we support the continued existence of the AcSB – independence, representation for Canada in international reporting spaces and efficient use of resources. There is a gap in decision useful information within the sustainability space, so action is needed. A key requirement is a clearly defined purpose for sustainability standards (investment usefulness, social accountability, change agent) and, if a combination of the aforementioned, what the weighting and priority ranking among those would be.

Question 5

Are there any special matters the Committee should consider in developing recommendations with respect to the sustainability assurance standard-setting process and oversight thereof?

As mentioned in the overall comments above, diversity of membership is important to gain different perspectives in the process. While accountants/auditors will admittedly be necessary as the providers of assurance, the needs of the users of the information should be considered, as well as practicality of obtaining information.

Question 6

Do you have concerns about independence in the current standard-setting model that should be addressed and suggestions for how best to do so?

Please refer to the overall comments above.

Question 7

Would the creation of a separate legal entity outside the control of CPA Canada enhance the independence of the Canadian model? Please consider this in the context of independence in fact as well as in appearance and indicate any specific concerns the Committee should be mindful of.

Yes, we believe the AcSB model of separate but linked organization has worked well.

Question 8

Should the present funding model for Canadian oversight and standard-setting activities be modified to enhance safeguards to independence, real or perceived? Please provide the rationale for your view. Do you have suggestions on how funding sources could be diversified? Do you have any specific suggestions regarding the funding model for an eventual Canadian sustainability standards board?

The Canadian model works well because those who want to make sure that the process works (in this case, CPAs) also care about the standards, and are therefore willing to fund it. However, CPA Canada cannot influence the actual results, which preserves independence.

Question 9

With regard to the oversight councils and standard-setting boards, are you satisfied with the current structure and safeguards in place to ensure independence?

Yes, based on previous experience.

Question 10

Do you have comments on how best to include Indigenous Peoples and governments or Indigenous individuals in the current standard-setting process?

As mentioned in the overall comments above, involving those who are affected at different levels of the process, and doing outreach where necessary.

Question 11

With regard to a Canadian sustainability standard setting board, do you have any views on the structure, composition and specific competencies needed? Please include any comments on how best to include Indigenous Peoples and governments or Indigenous individuals in the current standard-setting process?

Please refer to the overall comments above.



About the Corporate Reporting Users' Forum (CRUF)

The CRUF was set up in 2005 by users of financial reports to be an open forum for learning about and responding to the many accounting and regulatory changes that affect corporate reporting. In particular, participants are keen to have a fuller input into the deliberations of accounting standard setters and regulators. CRUF participants include buy and sell-side analysts, credit ratings analysts, fund managers, investors and corporate governance professionals. Participants focus on equity and fixed income markets. The Forum includes individuals with global or regional responsibilities and from around the world, including Australia, Canada, France, Germany, Hong Kong, India, Japan, New Zealand, South Africa, UK and USA.

The CRUF is a discussion forum. Different individuals take leadership in discussions on different topics and in the initial drafting of representations depending on their area of interest or expertise. In our meetings around the world, we seek to explore and understand the differences in opinions of participants. The CRUF does not seek to achieve consensus views, but instead we focus on why reasonable participants can have different positions. Furthermore, it would not be correct to assume that those individuals who do not participate in a given initiative disagree with that initiative. Also, it would not be correct to assume that nonparticipants agree with the initiative. This response is a summary of the range of opinions discussed at the CRUF meetings held globally and provided by participants in drafting the response. Differences of opinion are noted where applicable.

Participants take part in CRUF discussions and joint representations as individuals, not as representatives of their employer or other organisations they are a member of or associated with. Accordingly, we sign this letter in our individual capacity as participants of the Corporate Reporting Users' Forum and not as representatives of our respective employer or other organisations. The participants in the CRUF that have specifically endorsed this response are listed below.

Signatures

Robert Morgan

Rossa O'Reilly

Rolland Morier