

July 15, 2021

IFRS Foundation
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Dear IFRS Foundation Trustees,

Re: Exposure Draft, *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards*

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the above Exposure Draft issued by the IFRS® Foundation Trustees. In developing our response, we consulted with our Sustainability Reporting Advisory Committee and Canadian Performance Reporting Board.

As noted in our response to the Consultation Paper on Sustainability Reporting, we support the IFRS Foundation's proposal to create a new International Sustainability Standards Board (ISSB) under its governance structure. A set of globally accepted sustainability reporting standards will increase the quality of information reported by entities around the world and enable better decisions and management of environmental, social and governance issues.

We commend the IFRS Foundation for moving quickly on the establishment of an ISSB while ensuring it is set up to operate in an effective manner. We agree with most of the proposed amendments to the Constitution and believe the governance structure of the ISSB should be largely aligned with that of the International Accounting Standards Board (IASB) consistent for the most part with the approach taken in the Exposure Draft.

We recognize that some transitional issues will have to be considered early in the life of the ISSB, particularly if the IFRS Foundation wishes to have an initial standard on climate in place by mid-2022 as it has publicly stated. In our view, these transitional issues are best addressed outside the Constitution.

Our comments on specific matters are set out below. Responses to the questions in the Exposure Draft are included in the Appendix to this letter.

1. Role of the ISSB

We believe additional details should be provided on what is meant by a "sustainability reporting baseline" and the role of the ISSB in establishing this. Having the ISSB establish only a sustainability reporting baseline rather than comprehensive standards is a key component of the strategic direction referenced in paragraph 2(d) of the Introduction. It would also be beneficial to have more information in the Constitution or elsewhere on what policies and procedures will be put in place to help achieve sufficient global comparability if jurisdictions will be adding supplemental standards to address local requirements and circumstances.

It is also important to provide definitions of key terms (e.g., sustainability standards, sustainability reporting, sustainability performance, corporate reports, multi-stakeholder sustainability reporting, enterprise value, etc.) as they affect the objectives of the IFRS Foundation and many different requirements in the Constitution. Existing sustainability reporting regimes draw from multiple frameworks and there is a patchwork of different definitions currently being used. Without well-defined and commonly understood terms, there is potential for confusion and misinterpretation.

2. Due Process

Based on paragraph 10(f) in the Introduction, we understand that the new board's due process will be considered separately. We agree with the requirements for due process stated in paragraph 55 and believe that most, if not all of them, should be retained. That being said, we agree that modifications to these requirements may be appropriate on a short-term, transitional basis to take into account the work being done now on a climate standard.

3. Voting procedures

We disagree with the proposal in paragraph 54 requiring approval by a simple majority for the publication of an Exposure Draft or ISSB standard. This is significantly different from the voting thresholds required for the IASB and we believe the IASB thresholds should be used by the ISSB.

4. Composition of the ISSB

We agree the qualifications for membership of the ISSB should be sufficiently flexible to allow the ISSB to attract individuals with the different skills, knowledge, and experience necessary to accommodate the range of complex and dynamic sustainability issues that will be addressed by the ISSB. Because of this need, we also do not object to the proposals related to geographical allocation.

We also believe it is important that the Constitution explicitly address diversity and inclusion objectives and that they be reflected throughout all aspects of ISSB governance including the recruitment and selection of ISSB members.

5. Relationship between the IASB and ISSB

During the IFRS Foundation's initial consultation on sustainability reporting, we heard repeatedly that there is significant overlap between financial reporting and sustainability reporting and that having both the financial and sustainability reporting boards operate under the governance structure of the IFRS Foundation will create synergies and make the necessary co-ordination between the two boards more effective. We encourage the IFRS Foundation to consider whether the Constitution should be amended to acknowledge the close working relationship that will be necessary between the ISSB and IASB.

We would be pleased to discuss our comments in greater detail and answer any questions you may have related to them. Please contact Rosemary McGuire, Director, Research, Guidance and Support (rmcguire@cpacanada.ca).

Sincerely,



Charles-Antoine St-Jean, FCPA, FCA
President and CEO
Chartered Professional Accountants of Canada

Appendix

Question 1: Do you agree that the amendments proportionately reflect the Trustees' strategic direction, considering in particular:

- a) the proposed amendments to the objectives of the Foundation, outlined in the proposed new section 2b of the Constitution, as set out in Appendix A; and
- b) the proposed amendments to reflect the structure and function of the new board, outlined in the proposed new sections 43–56 of the Constitution, as set out in Appendix A?

In general, we agree with the proposed amendments to the Constitution and refer you to our comments in our covering letter.

Question 2: On the potential naming of the new board and its associated standards, do you agree that 'the International Sustainability Standards Board (ISSB)' setting 'IFRS sustainability standards' accurately describes the function of the new board and its associated standards?

During our outreach, we heard from many of our constituents that referring to the ISSB standards as "IFRS Sustainability Standards" is confusing and not intuitive. The term "IFRS Standards" is commonly used and has a well understood meaning in the marketplace – using the same term to refer to standards issued by both the IASB and the ISSB is not consistent with the significant differences in the nature of and the subject matter considered in the two sets of standards.

Question 3: Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the Constitution, as set out in Appendix A?

We agree with the proposed consequential amendments outlined in proposed new sections 60 and 61 around the roles of the Executive Director of the IFRS Foundation and Chairs of the ISSB and IASB.