

July 28, 2022

European Financial Reporting Advisory Group (EFRAG)
c/o Jean- Paul Gauzès
1000 Bruxelles
Belgium

Re: EFRAG public consultation on the first set of draft EU Sustainability Reporting Standards

Dear European Financial Reporting Advisory Group:

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the draft EU Sustainability Reporting Standards (ESRS) released by EFRAG.

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. It works collaboratively with the provincial, territorial and Bermudian CPA bodies, as it represents the Canadian accounting profession, both nationally and internationally. This collaboration allows the Canadian profession to champion best practices that benefit business and society, as well as prepare its members for an ever-evolving operating environment. We have conducted extensive research on sustainability and climate-related reporting trends, practices, and challenges, and issued many resources on these topics.¹

CPA Canada is also part of a group known as the Canadian Champions for Global Sustainability Standards, a coalition of organizations from the private and public sector that supported the bid to host the International Sustainability Standards Board (ISSB) in Canada. As clear recognition of Canada's expertise and leadership in the areas of standards development and sustainability, the IFRS Foundation has selected Montreal, Canada as one of the centres that will perform key functions on behalf of the ISSB.

Cross-jurisdiction implications of EU Sustainability Reporting Standards

Many Canadian stakeholders are interested in the development of ESRS because of the cross-jurisdiction implications of the proposed EU corporate sustainability reporting regulation. Based on our understanding of the provisional political agreement on the Corporate Sustainability Reporting Directive, non- EU companies such as

¹ CPA Canada's sustainability-related resources can be accessed at: [Sustainability for the future](#)



Canadian ones, which generate a net turnover of more than €150 million in the EU, and which have a subsidiary or a branch in the EU, will be subject to EU sustainability reporting requirements.²

We commend the significant efforts by EFRAG to develop the comprehensive proposals which cover 13 proposed standards. However, we note that sustainability reporting is evolving quickly around the world, and we are concerned that there will be different sustainability disclosure requirements adopted. For example, the EU, ISSB, Canadian Securities Administrators, and the U.S. Securities and Exchange Commission (SEC) all published climate and sustainability reporting proposals around the same time.

One of the biggest differences is that the ESRS are not conceptually aligned with these other proposals on the fundamental issue of materiality. In addition, while some of the climate/sustainability-related disclosure proposals may be conceptually aligned, they differ in their scope and approach and require significantly different disclosures which will result in unnecessary cost, complexity, and inconsistency in sustainability reporting. We are also concerned about the capacity of stakeholders to adequately understand, assess and respond to all these competing proposals.

Working with the International Sustainability Standards Board

The IFRS Foundation has received strong support for the establishment of the ISSB, including from the International Organization of Securities Commissions (IOSCO). The ISSB has also clearly demonstrated that it will work with urgency to develop new standards.

We are pleased to see that EFRAG and the European Commission are part of the Jurisdictional Working Group established by the ISSB to establish dialogue with a goal of enhancing compatibility between the ISSB and jurisdictional initiatives on sustainability disclosures. We encourage EFRAG to work more closely with the ISSB on developing a comprehensive global baseline of sustainability disclosures and more closely align its proposals with those of the ISSB. We believe investors would be best-served by globally aligned sustainability disclosure.

Thank you for the opportunity to comment on this public consultation. We would be pleased to share further insights and answer any questions you may have. Please contact Rosemary McGuire, Director, Research, Guidance and Support (rmcguire@cpacanada.ca).

Yours truly,

A handwritten signature in black ink, appearing to read "Pamela Steer".

Pamela Steer, FCPA, CPA
President & CEO

² [New rules on corporate sustainability reporting: provisional political agreement between the Council and the European Parliament - Consilium \(europa.eu\)](#)