



Auditing and Assurance Standards Board
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January 18, 2022

Alberta Securities Commission

Autorité des marchés financiers

British Columbia Securities Commission

Financial and Consumer Services Commission, New Brunswick

Financial and Consumer Affairs Authority of Saskatchewan

Manitoba Securities Commission

Nova Scotia Securities Commission

Nunavut Securities Office

Office of the Superintendent of Securities, Newfoundland and Labrador

Ontario Securities Commission

Office of the Superintendent of Securities, Northwest Territories

Office of the Yukon Superintendent of Securities

Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island

c/o The Secretary

Ontario Securities Commission

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- and -

Me. Philippe Lebel

Corporate Secretary and Executive Director, Legal Affairs

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Dear Sirs/Mesdames:

Re: Proposed National Instrument 51-107 Disclosure of Climate-related Matters

The Canadian Auditing and Assurance Standards Board (AASB) is pleased to provide its comments on the proposed National Instrument 51-107 *Disclosure of Climate-related Matters* (proposed instrument). The AASB is an independent body with the authority and responsibility to set standards and guidance for quality control, audit, other assurance, and related services engagements in Canada.

Support for Canadian Securities Administrators (CSA)'s efforts and global consistency

We support the CSA's efforts to provide clarity to issuers on the climate-related information required to be disclosed and facilitate consistency and comparability among issuers. Companies around the globe, including in Canada, are responding to a growing demand for climate-related disclosures and other sustainability reporting. For example, a [2020 KPMG survey](#)¹ reveals that Canada is among the 10 countries and jurisdictions with the highest sustainability reporting rates in the world.

We see value in consistency and comparability of reporting both globally and in Canada.

A global study, [The State of Play in Sustainability Assurance](#),² conducted by the International Federation of Accountants (IFAC), the American Institute of Certified Public Accountants (AICPA) and the Chartered Institute of Management Accountants (CIMA), identified the Global Reporting Initiative (GRI) standards as the most widely used framework, with 69% of Environmental, Social and Governance (ESG) reports referencing the GRI standards.

In addition, the past year has seen significant developments in global climate disclosures and other sustainability reporting, including the establishment of the International Sustainability Standards Board, and the anticipated creation of a corresponding Canadian Sustainability

¹ [The Time Has Come](#), The KPMG Survey of Sustainability Reporting 2020, December 2020

² June 2021 Benchmarking Global Practice, [The State of Play in Sustainability Assurance](#)

Standards Board as discussed in the [Independent Review Committee on Standard-Setting Consultation Paper](#).

We support the CSA's efforts in monitoring global trends and developments to ensure global consistency and comparability when developing appropriate reporting requirements for Canada.

The following sets out our views on two assurance matters.

Potential inconsistent auditor involvement in the climate-related disclosures

Under the proposed instrument, climate-related disclosures are provided in “the issuer’s annual information form (AIF) or its annual management’s discussion and analysis (MD&A), if the issuer does not file an AIF.”

Under CAS 720³, the auditor is required to read and consider the information in the MD&A but not the AIF. This may result in inconsistent practices for which the auditor’s responsibilities differ depending on where the climate-related disclosures are located. This could further contribute to the expectation gap (the difference between what users think auditors do and what they actually do).

To facilitate consistent auditor involvement, the CSA may wish to require climate-related disclosures to be included in the MD&A. However, we note that this inconsistency may not be an issue if the CSA’s proposal⁴ to combine the financial statements, MD&A and the AIF into one reporting document, the Annual Disclosure Statement, comes into effect prior to the proposed instrument. The CSA may also wish to consider whether creating a separate “Sustainability Report” as part of the annual reporting obligations is a more appropriate option.

Regardless of where the CSA decides the climate-related disclosures should be located, we look forward to working with the CSA to ensure compatibility with the assurance standards.

Assurance on Greenhouse Gas (GHG) Emissions (and other sustainability reporting)

Question 7 of the proposed instrument asked whether there should be a requirement for some form of assurance on GHG emissions reporting. We strongly encourage the CSA to continue to monitor and consider whether it is in the public interest for requiring assurance on such information.

In December 2021, the IFAC published its vision for [high-quality assurance of sustainability information](#), noting that “sustainability-related disclosure is finally taking its rightful place within the corporate reporting ecosystem, through global and jurisdiction-specific initiatives. In order to be trusted, sustainability disclosure must be subject to high-quality, independent,

³ Canadian Auditing Standards (CAS) 720, *The Auditor’s Responsibilities Relating to Other Information*

⁴ Proposed Amendments to National Instrument 51-102 Continuous Disclosure Obligations, issued in May 2021

