

September 2, 2021

International Organization of Securities Commissions
C/ Oquendo 12
28006 Madrid
Spain

Dear Board of the International Organization of Securities Commissions,

Re: *Public Comment on ESG Ratings and Data Products Providers*

Chartered Professional Accountants of Canada (CPA Canada) appreciates the opportunity to comment on the Consultation Report on Environmental, Social and Governance (ESG) Ratings and Data Products Providers (Consultation Report) published by the Board of the International Organization of Securities Commissions (IOSCO).

CPA Canada is one of the largest national accounting organizations in the world, representing more than 220,000 members. CPA Canada supports the setting of accounting, auditing and assurance standards for business, not-for-profit organizations and government, and also conducts research into current and emerging business issues. We have done extensive research on sustainability reporting trends, practices and challenges and issued many resources on this topic.¹ In developing our response, we also consulted with our Sustainability Reporting Advisory Committee, a group of leading experts with sustainability, financial reporting, and capital markets expertise.

We support efforts by IOSCO to better understand the growing market for ESG ratings and data products and the complexities, challenges, and risks in this area. As noted in the Consultation Report, there are numerous ESG ratings and data providers with different backgrounds, objectives, processes and rating methodologies and there is a need for increased transparency and accountability in this industry.

We are increasingly hearing from preparers and users in Canada that ESG ratings and data are becoming more important and that there are issues that need to be resolved for the benefit of all capital market participants. As a result, we agree that ESG ratings and data providers should be subject to regulatory oversight. IOSCO has a significant role to play in establishing a robust global regulatory framework that will improve the quality, rigor, and transparency of ESG ratings and related products. Regulation will increase confidence in this information and contribute to enhanced investor protection.

In general, we agree with the recommendations in the Consultation Report and believe that they will address many of the risks identified and challenges faced by both users and companies that are the

¹CPA Canada's sustainability-related resources can be accessed at: <https://www.cpacanada.ca/en/business-and-accounting-resources/sustainability>

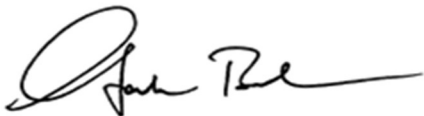
subject of these ESG ratings and data products. In Canada and internationally, there are comprehensive regulations for ratings issued by credit rating agencies. We believe that regulators can draw on these existing regulations when considering and developing any new regulations related to ESG ratings and assessments. For example, in Canada, credit ratings issued by a designated rating organization are subject to regulation under National Instrument 25-101 *Designated Rating Organizations*. The Canadian regulations address many of the areas that are contemplated in the recommendations including, for example, the integrity of the ratings process, rating methodologies, conflicts of interest, management of confidential information, and codes of conduct.

Similarly, we note that IOSCO has published a *Statement of Principles Related to the Activities of Credit Rating Agencies* as well as a *Code of Conduct Fundamentals for Credit Rating Agencies*. We believe that this type of guidance would provide a good foundation for regulatory expectations in the ESG area and could be leveraged by local jurisdictions and incorporated into their regulatory regimes.

We also acknowledge the IFRS Foundation's proposal to develop a set of global sustainability reporting standards through a new International Sustainability Standards Board (ISSB). This initiative has the potential to significantly improve the consistency and comparability of ESG disclosures over time. While this development may mitigate some of the issues identified in the Consultation Report and affect some of the proposed recommendations, we do not believe that this will eliminate the need for regulatory oversight of ESG ratings and data providers.

Thank you for the opportunity to comment. We would be pleased to leverage our networks and convene a roundtable to collect more insights on industry specific and jurisdictional challenges to assist you as you progress this important work. Please contact Rosemary McGuire, Director, Research, Guidance and Support (rmcguire@cpacanada.ca).

Yours truly,

A handwritten signature in black ink, appearing to read "Gordon Beal". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Gordon Beal, CPA, CA, M.Ed
Vice-President, Research, Guidance & Support