12 April 2021

Office of the Superintendent of Financial Institutions Canada
255 Albert Street
A12th Floor
Ottawa, Ontario
K1A 0H27

Sent via electronic mail to Climate-Climat@osfi-bsif.gc.ca

Dear Superintendent Rudin:

The Institute of Internal Auditors (IIA) is pleased to comment on the Office of the Superintendent of Financial Institution’s (OSFI) discussion paper, “Navigating Uncertainty in Climate Change: Promoting Preparedness and Resilience to Climate-Related Risks.” On behalf of our more than 200,000 members worldwide, including 7,300 throughout Canada, we welcome OSFI’s initiative on climate-related risks and encourage further discussion on this and other urgent Environmental, Social and Governance (ESG) related topics. We urge consideration of the full spectrum of risks under ESG to appropriately fulfill OSFI’s mandate on safety and soundness of federally regulated financial institutions (FRFI) and federally regulated pension plans (FRPPs).

ESG initiatives, in their broadest sense, enable organizations to maintain sustainable operations and ensure their net long-term environmental impacts are neutral. The IIA recognizes sustainability is the goal of governance, and that internal audit (independent assurance) is indispensable to its effectiveness.

ESG processes, like governance, must be directed by the governing body with the independent and objective assurance provided by internal audit. The IIA strongly recommends the OSFI consider that effective governance must include object assurance provided by a properly resourced internal audit function, independent from management and operating in conformance with globally recognized standards promulgated by The IIA. Investors and stakeholders want to understand ESG issues in the short, medium and long term. That can be accomplished not only by looking back over financials, but looking ahead, enabled by the foresight internal audit is uniquely positioned to provide.

The IIA’s Three Lines Model illustrates this as a simple framework that encourages organizations to consider the roles needed for effective
governance to help foster success. Utilizing this model, in conjunction with the organization’s goals, circumstances, culture and resources, can serve as the foundation for building the structure and processes the organization needs to manage risk and achieve objectives.

Comments to the specific discussion questions follow. If you have any questions or would like to discuss further, please contact Paul Forgues, IIA Canada’s Executive Director, at paul.forgues@theiia.org.

Sincerely,

Anthony J. Pugliese
President and Chief Executive Officer
The Institute of Internal Auditors

cc: Kathy Anderson, Managing Director, Government & Stakeholder Relations
Tammy Wyche, Director, Professional Practices