Issue No. 22, Fall 2024

ThinkTWENTY20

The Magazine for Financial Professionals

Number 22, Fall 2024

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ISSN 2563-0113

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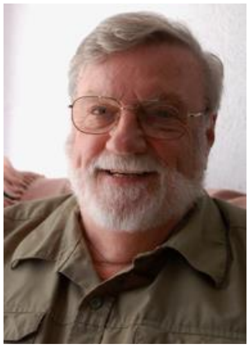
Table of Contents



Gerald Trites, FCPA, FCA, CISA
Editor-in-Chief

What is true? What is false? What is reality? Living in an age when truth is under attack, and being bombarded with falsehoods and distortions, makes it difficult to distinguish between truth and falsehoods.

Our extensive reliance on social media, which is often distinct from truth and reality, as well as current trends in the political arena, have contributed to this confusion. In the absence of clarity, people often tend to create their own version of reality.

In addition to social media, technology provides some other means of creating our own reality. Eric Cohen offers a thoughtful and insightful article in this issue on the effects of virtual reality, where people can literally create their own versions of reality, through sites such as Second Life or tools like the use of VR headsets.

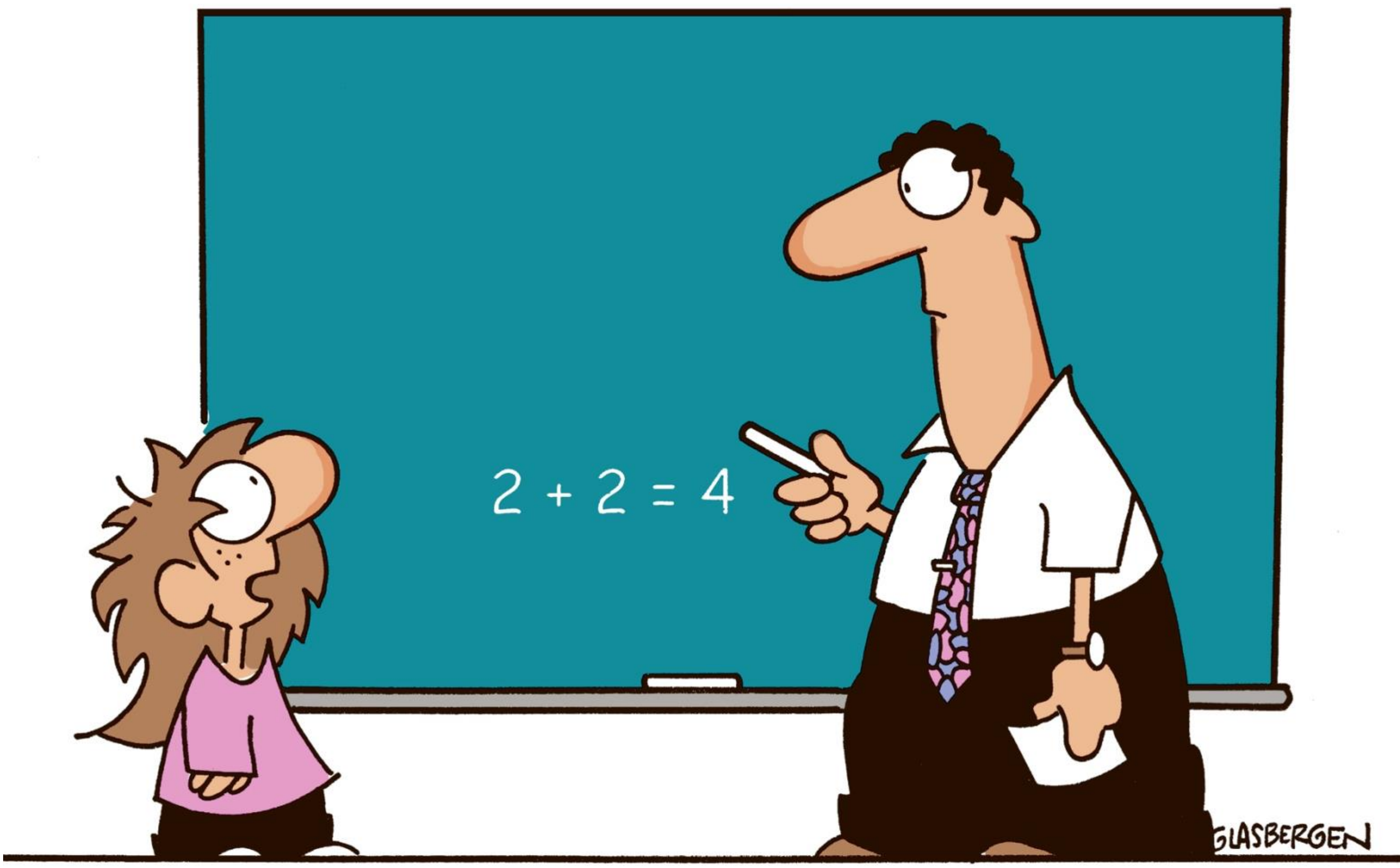
The profession of accounting is faced with particular challenges in this distorted world. The job of accountants is to seek out the truth, whether that be the financial position of companies or the true nature of their business activities. They are expected to seek out the truth and convey that truth to the outside world. Often, this involves speaking truth to power.

Indeed CPAs are well trained for this task, whether it be through their training in assurance or their integrity in applying the accounting and assurance standards, rules and legislation. Their critical thinking skills and integrity are central to their role in society, and even more important in these times.

The distortion of truth and falsehood is, indeed, our new reality. To remain relevant in this new reality means the accounting profession needs to bear in mind its tremendous responsibility to seek out and convey the truth. To do this, the standards setting process and the assurance process must remain independent from the forces of alternative realities.

Gerald Trites, FCPA
Editor in Chief

University of Waterloo Centre for Information Systems Security and Assurance



"How can I trust your information when you're using such outdated technology?"

Solutions For Creating Ethical Standards in Virtual Environments

By Eric E Cohen, CPA

Eric E. Cohen, CPA, is an accounting technology futurist, one of the original founders of XBRL and a pioneer in accounting and audit technology and related assurance methodologies. A writer, teacher and trainer, he has taught accountants, academics, regulators, software developers and business people about the Internet, XBRL, standardized business reporting, audit data standards and electronic distributed ledgers, security and authentication, analytics, robotic process automation, ESG and continuous auditing. He has published hundreds of articles and columns for the business and academic press, and written or contributed to numerous books, including primary authorship of Accountant's Guide to the Internet*, the first book about the relevance of the Internet to the accounting profession.*

As virtual reality (VR) becomes more integrated into both business environments and personal use, ethical concerns are rising around the impact of these immersive worlds on individuals and society. Unlike traditional media, VR offers a sense of presence, where users feel as if they are physically "there" in the virtual space, creating deeper emotional and psychological engagement.

This heightened immersion raises important ethical questions: How do users' behavior and perceptions change in virtual environments? What responsibilities do businesses have when operating in these spaces? And how can we ensure that these digital worlds remain safe, ethical and inclusive for all participants?

In this article, we will explore the key ethical concerns surrounding VR and other virtual environments, focusing on privacy, behavior, and security. We will also discuss the broader concept of reality itself, examining how both immersive and non-immersive environments such as *Second Life* and *Facebook* have shaped user experiences in ways that transcend traditional notions of reality. Finally, we'll propose solutions for creating ethical standards in virtual environments, ensuring these spaces are both innovative and responsible.

The Unique Ethical Challenges of Virtual Worlds

Immersion and Presence

One of the defining features of virtual reality is the sense of *presence* – the feeling that a user is physically in the virtual environment. This immersion can blur the line between reality and the digital world, causing users to behave and react in ways that are distinct from their real-world behavior. Unlike traditional digital platforms, VR taps into multiple senses – sight, sound, and even touch – making interactions feel more immediate and impactful. This heightened sense of

presence can alter how individuals make decisions, interact with others and perceive their surroundings.

While this creates incredible opportunities for engagement, it also raises ethical concerns about user manipulation, particularly in business environments. When users are more emotionally and psychologically engaged, they may be more susceptible to influence, which businesses could exploit for commercial gain.

VR offers a sense of presence, where users feel as if they are physically "there" in the virtual space, creating deeper emotional and psychological engagement.

Privacy and Data Security

Privacy in VR is an ongoing ethical challenge. As users immerse themselves in virtual worlds, vast amounts of personal data can be collected. In addition to the usual metrics gathered in online environments – such as location, preferences and search history – VR platforms have access to more intimate data, such as movement patterns, gaze tracking, and even physiological responses like heart rate or skin conductance.

This data, if misused, could lead to significant privacy violations. For instance, businesses may use this information to manipulate users' experiences in ways that they are not fully aware of, or worse, share it with third parties without proper consent. The immersive nature of VR environments, combined with their potential for pervasive data collection, requires stronger privacy protections and clearer consent mechanisms than traditional online platforms.

Behavioral Influence and the Online Disinhibition Effect

The *online disinhibition effect* refers to the phenomenon where individuals behave more freely – or sometimes more recklessly – in online environments than they would in person. This effect

can be amplified in VR, where users feel immersed in a space that may seem consequence-free. People may engage in trolling, harassment, or other harmful behaviors because the virtual environment feels separate from "real life."

The anonymity provided by avatars in virtual spaces can further exacerbate this disinhibition. While some people may feel liberated by this sense of anonymity, others may exploit it to act in ways that would be deemed inappropriate or unethical in real-world interactions. Ensuring that virtual environments encourage responsible behavior is a key challenge for VR developers and businesses.

Psychological and Physical Effects of VR
Beyond behavioral concerns, VR's immersive nature can have lingering psychological effects. Users may become desensitized to certain behaviors or experiences in virtual worlds, which could spill over into their real-life interactions. For example, an auditor working in a VR environment may struggle to maintain professional skepticism if the virtual setting is designed to create a false sense of ease or trust.

How can users be protected from deceptive or overly manipulative tactics that take advantage of their immersion in the virtual world?

There are also physical effects to consider. Spending extended periods in VR can cause disorientation or altered perceptions of reality. Users have reported experiences where, after removing a VR headset, they expect physical objects to behave as they do in the virtual environment. This cognitive shift highlights the profound impact immersive experiences can have on how we perceive the world around us.

Business Applications of VR and Ethical Dilemmas
Auditors and Professional Skepticism in VR
For professionals like auditors, whose work requires objectivity and critical thinking, the immersive nature of VR presents unique challenges. VR environments can be designed to make users feel comfortable and trusting, which could undermine the critical judgment needed for tasks like auditing, compliance checks or financial oversight.

In traditional business environments, auditors rely on a range of sensory and contextual cues to maintain professional skepticism. In VR, these cues may be manipulated or absent altogether, making it harder for auditors to detect irregularities or maintain a critical mindset. Businesses adopting VR for auditing and compliance functions must develop tools and guidelines to help professionals navigate these immersive spaces without compromising their judgment.

Manipulative Business Practices in Virtual Environments

VR's immersive nature also opens the door to potentially manipulative business practices. Imagine entering a virtual shopping mall where advertisements are not just visible but feel like part of the environment itself. Brands could design virtual spaces that subtly influence user behavior, pushing them toward in-game purchases, products or services in ways that feel seamless and persuasive.

This raises important ethical questions about consumer protection in VR environments. Should there be clear guidelines for how businesses advertise or promote products in virtual spaces? How can users be protected from deceptive or overly manipulative tactics that take advantage of their immersion in the virtual world?

Data Visualization in VR: Trust and Transparency

In business settings, data visualization is a key tool for decision making. When this data is presented in VR, the immersive experience can make visualizations feel even more convincing. This also means, however, that misleading or biased data could be more easily accepted by users, as the virtual environment lends a sense of credibility to the presentation.

To address this, businesses need to develop standards for data visualization in VR. These could include rules about graph baselines, data sources and ensuring that visual representations of data are transparent and trustworthy. Introducing mechanisms for user interaction with data – such as the ability to drill down into sources or view alternative representations – can also help mitigate the risks of misleading visualizations.

Generative AI and VR

The convergence of generative AI and VR introduces additional ethical dilemmas. With AI's ability to create highly realistic avatars, environments and even conversations, users may struggle to distinguish between real and artificial elements in a virtual world. This blurring of lines between reality and artificial creation raises issues around trust, authenticity and manipulation.

Deepfakes and synthetic media created by AI can be used to deceive or mislead users, especially in immersive environments where visual and auditory cues are more convincing. Businesses must adopt robust verification processes and digital identity tools to ensure that interactions in virtual spaces are authentic and transparent.

Technological Convergence: IoT, Blockchain, AI and VR

The Power and Risks of Converging Technologies

The combination of VR, AI, IoT (Internet of Things) and blockchain is creating a new frontier of digital interactions. These technologies can work together to create virtual environments that are highly immersive, personalized and secure. For example, IoT can provide real-time data feeds into VR environments, while blockchain ensures that digital assets and transactions are secure and transparent.

On the other hand, the convergence of these technologies also amplifies ethical concerns. The ability to track user behavior through IoT devices, the potential for AI to manipulate virtual environments and the security risks of blockchain-based transactions all pose new challenges for users and businesses alike. Ensuring that these technologies are integrated ethically and responsibly is key to maintaining trust in virtual environments.

Creating a Trustworthy Virtual World

To address these challenges, businesses and developers need to establish ethical frameworks for virtual worlds. This could include transparency about how data is collected and used, robust verification systems to prevent fraud or deception and third-party assessments to ensure that virtual environments adhere to ethical standards.

Blockchain technology, for example, could be used to verify the authenticity of digital assets in VR, ensuring that users can trust the provenance and ownership of virtual goods. IoT devices could be equipped with privacy protections to ensure that users' personal data is not misused or shared without consent.

Proposed Solutions: Building Ethical Standards for Virtual Environments

Ratings and Certifications for Virtual Spaces

One potential solution for maintaining ethical standards in virtual environments is the creation of a ratings or certification system. Much like SOC reports provide assurance for financial controls, a similar framework could be developed to assess the ethical integrity of virtual spaces. These certifications could evaluate factors such as data privacy practices, identity verification, and adherence to ethical standards in virtual environments. Such a system could help users navigate the complex landscape of virtual worlds, providing them with the information they need to make informed decisions about which environments to engage with.

Leveraging Existing Standards

Existing standards, such as ISO 27000 for information security, could be adapted to address the specific challenges of virtual environments. Industry organizations and regulatory bodies could work together to develop guidelines for responsible behavior, data privacy and transparency in virtual spaces.

Engaging with these groups could help create a set of best practices or even formal standards tailored specifically to the ethical challenges posed by virtual worlds.

Promoting Digital Literacy and Ethical Awareness

Ultimately, one of the most important tools for addressing the ethical challenges of virtual worlds is education. Promoting digital literacy and ethical awareness will empower users to critically evaluate the environments they engage with, making them less susceptible to manipulation or exploitation.

Promoting digital literacy and ethical awareness will empower users to critically evaluate the environments they engage with, making them less susceptible to manipulation or exploitation.

Public awareness campaigns, corporate responsibility initiatives and academic research all have a role to play in ensuring that virtual worlds remain safe, inclusive, and trustworthy.

Addressing The Challenges Head-On

As virtual reality continues to evolve, the ethical challenges it presents will become increasingly complex. The immersive nature of VR, combined with advances in AI, IoT and blockchain, creates both incredible opportunities and significant risks for users and businesses alike.
By addressing these challenges head-on -- through the development of ethical standards, transparency measures and digital literacy initiatives – we can ensure that virtual worlds remain a space where innovation and responsibility go hand in hand.

The time to act is now. As these technologies continue to shape our lives and our sense of reality, we must work together to create virtual environments that are not only immersive but also ethical and inclusive for all.

CPAB Audit Quality Insights Report: 2024 Interim Inspections Result

By Gundi Jeffrey

Gundi Jeffrey is an award-winning business journalist specializing in writing about the accounting profession for various publications in Canada and England. In 1985, she co-founded The Bottom Line, then Canada's only independent publication for the accounting and financial professions, serving as its executive editor.

The Canadian Public Accountability Board (CPAB), Canada's public company audit regulator, released its interim public report on its 2024 audit quality assessment work to date. The report notes, very clearly, that "We continue to observe a strong correlation between firms with a robust system of quality management and lower levels of significant findings identified through our file inspections. One of the most significant concerns in our preliminary inspection findings is deficiencies in the auditor's identification and assessment of the risks of material misstatement, which is critical to ensuring the appropriateness of the audit procedures performed. We also have findings related to non-compliance with both the independence standards and the licensing requirements of the practice of public accounting."

We have observed a strong correlation between firms that use internal coaching programs and/or perform inspections of in-process audit engagements and lower levels of significant findings.

To date, CPAB inspected 50 of the 66 files planned for inspection across Canada's four largest audit firms and identified significant inspection findings1 in four of those files. This, says the report, "compares to 10 files with significant inspection findings across 63 inspections in 2023. We also inspected 16 files at other firms and identified six files with significant findings. The full results for all firms inspected in 2024 will be included in our annual report in March 2025."

Meanwhile, *ThinkTWENTY20* is offering the highlights of this report, including both the good and bad news – and recommendations for better results in several significant areas.

That report notes that five restatements have been required since the 2023 annual report related to the remediation of significant findings. In 2023, there were six restatements. Where a restatement is required, the firm must work with the reporting issuer to complete the restatement as soon as possible, usually within the next quarterly reporting cycle.

Firm System of Quality Management Evaluations

The Canadian Standard on Quality Management 1 (CSQM 1All requires that audit firms design, implement and operate a system of quality management and evaluate it at least annually. Through our file inspections, the report says, “we have observed a strong correlation between firms that use internal coaching programs and/or perform inspections of in-process audit engagements and lower levels of significant findings, provided they are deployed effectively at the right time and on the engagements that require them the most.”

The report defines “effective deployment” as requiring a system of quality management that can adjust to changing circumstances. “For example, internal or external inspections of completed audit engagements may identify areas where the firm’s audit methodology is not being applied as intended or engagement team members do not have the necessary skills or experience. It is important for firms to respond quickly to these inspection findings and identify the audits that may require additional support.”

In September 2024, CPAB published *Strengthening audit quality through systems of quality management* to provide insights into practices observed at firms with robust controls and processes in three areas: governance and leadership; risk assessment; and monitoring and remediation. “While all components of CSQM 1 are important,” the report says, “we have observed that these three areas are the building blocks for the standard. Common themes in preliminary inspection findings.”

The common themes CPAB identified in its preliminary 2024 inspection findings to date relate to:

Identifying and assessing the risks of material misstatement. According to CPAB, “dentifying and assessing the risks of material misstatement in financial statements is foundational to performing a quality audit as it provides the basis for planning and performing the audit. The Canadian auditing standard addressing an auditor’s responsibility to identify and assess these risks was revised effective for 2022 calendar year-ends to better align with the increasing complexity of business models and use of technology in business processes, while emphasizing an iterative and dynamic approach to risk assessment. In March 2024, we published Identifying and assessing the risks of material misstatement: Strengthening audit quality to provide more detail on the deficiencies identified in our 2023 inspections in applying the revised standard.”

CPAB pointed out that it “continues to identify findings related to the implementation of the revised standard across a range of audit areas, including revenue, business combinations, financial instruments and inventory. Examples include risk assessment procedures that are biased towards obtaining evidence to support a lower risk assessment or exclude the identification of a potential fraud risk. As well, there is no re-evaluation of the initial risk assessment as the audit progresses and new information becomes available, for example when misstatements indicative of internal control deficiencies are identified.”

Another area where CPAB identified an increased level of significant findings is the insufficient identification and assessment of the risks of material misstatement related to the consolidation process. “This includes the aggregation risk that undetected misstatements in components not subject to audit procedures may exceed materiality for the financial statements as a whole in a group audit engagement. The auditor needs to assess whether it is necessary to test the operating effectiveness of internal controls over the consolidation to address the risk of material misstatement in the components that are out-of-scope for audit procedures. The auditor's approach to assessing and responding to aggregation risk will continue to be a focus of our inspections as we evaluate audit firms' implementation of the revised Canadian auditing standard for group audits that is effective for 2024 calendar year ends."

When the auditor does not identify risks or sufficiently assess them, says the report, "this results in the auditor not obtaining sufficient and/or appropriate audit evidence to address the risk of material misstatement. The International Auditing and Assurance Standards Board (IAASB) is currently developing an integrated project on audit evidence and risk response. CPAB supports the IAASB's efforts in this area and will be actively engaging with the IAASB and other key stakeholders to provide feedback based on our inspections."

Use Of an Auditor's Expert

According to CPAB, one area where the preparation of the financial statements often involves an expert in a field other than accounting is the estimation of the allowance for expected credit losses for financial assets. "In these circumstances the auditor may determine that they need their own expert if complex financial models are used to estimate these allowances. We have identified concerns with the engagement team's oversight of the expert's work. In some cases, the engagement team has not appropriately evaluated the relevance and reasonableness of the findings or conclusions of the expert, such as the impact of identified model limitations on the conclusion that the models were fit for use."

We are particularly concerned that some auditors are not incorporating information such as whistleblower reports, complaints, and short seller reports, when identifying and responding to the risks of material misstatement due to fraud.

Fraud

Fraud thematic reviews are integrated into CPAB's inspections of audit files to better understand how auditors are identifying and responding to the risk of fraud. "We are particularly concerned that some auditors are not incorporating information such as whistleblower reports, complaints, and short seller reports, when identifying and responding to the risks of material misstatement due to fraud. In these circumstances the reporting issuer may engage a third party, typically a law firm, to investigate and determine whether there is sufficient merit to the claim to warrant further action. If the investigation concludes that no further action is required on the part of the reporting issuer, our findings indicate that some auditors conclude that there is no fraud risk without considering how audit procedures should be tailored to identify potential fraud if the other information was legitimate."

Supervision and Review Process

The audit engagement partner has overall responsibility for ensuring that the work of less experienced engagement team members is directed, supervised and reviewed by more experienced engagement team members. This means, says CPAB, that "the engagement partner must personally review the documentation of significant matters and judgments. We continue to believe that the deficiencies we find in our inspections should have been identified and corrected either through the supervision and review process as the engagement progressed or by the engagement quality review prior to the release of the audit opinion."

Ethical Requirements, Including Independence

CPAB notes that it continues to have significant findings related to the identification and evaluation of threats to independence caused by non-audit services provided by auditors. "A recurring finding is related to auditors performing the evaluation of the design, implementation and operating effectiveness of controls to support management's certification in accordance with **National Instrument 52-109**, *Certification of Disclosures in Issuers' Annual and Interim Filings* (NI 52-109). The independence standards do not prohibit a firm from providing a nonrecurring service to evaluate a discrete item or program as a specified auditing procedures engagement, but does prohibit a service that is in substance the outsourcing of an internal audit function."

CPAB has also observed that auditors do not always consider climate-related risks when reviewing information such as board minutes, press releases or investor presentations.

Another recurring finding is non-compliance with the rotation requirements for the lead engagement partner and the engagement quality reviewer resulting in a breach of the independence standards. "The rules for when an individual must step out of the lead engagement partner or engagement quality reviewer roles for a reporting issuer and how long they must wait before they can reassume those roles are specifically laid out in the rules of professional conduct. We have observed that firms that are not in compliance with the rotation requirements typically do not have processes and controls within their system of quality management that are sufficiently robust to effectively manage the complexity of the independence standards."

Compliance With Licensing Requirements to Practice Public Accounting

The report points out that "increase in remote audit work in response to pandemic restrictions has changed how audits are conducted and has significantly reduced the geographic connection between reporting issuers and their auditors." CPAB is "concerned that not visiting the reporting issuer's physical locations and meeting in person with management and staff makes it more difficult to fully understand the business and exercise appropriate professional skepticism when conducting the audit. We have also observed that auditors performing engagements remotely are not considering whether they are in fact practicing public accounting in a jurisdiction where they are not properly registered or licensed. In most jurisdictions this is a contravention of the law and can have significant repercussions for both the auditor and the reporting issuers they audit."

Looking Forward

Current economic and geopolitical environment: The post-pandemic economy continues to be very uncertain with industries being impacted differently. The report notes that industries, such as commercial real estate, have been significantly affected by the continuation of hybrid work arrangements requiring less office space and the growth of web sales reducing the demand for in store shopping. "While interest rates are starting to come down, the impact is not being immediately felt. Disruptions to supply chains and global trade continue due to conflicts and climate events, and more than 70 countries and territories are holding national elections in 2024. This environment creates significant challenges for auditors in assessing the reasonability of estimated cash flows to support impairment testing and going concern assessments."

Artificial intelligence applications in the audit: CPAB points out that significant advancements in applications leveraging artificial intelligence (AI) technologies have emerged over the past two years. "While they have the potential to improve the efficiency, accuracy and insights of the audit, they also create risks that must be effectively managed. In September 2024, CPAB published *The Use of AI in the Audit* – balancing innovation and risk to provide an overview on how AIenabled tools could enhance audit quality and outline how we expect firms and auditors to manage the risks related to using these tools."

CPAB Public Disclosures: CPAB is working with the relevant legislative and regulatory bodies to implement the rule and legislative changes related to CPAB's increased regulatory disclosures and other changes that address operational effectiveness and administrative practices. "The planned rule and legislative changes will be effective once CPAB has obtained all approvals from the relevant provincial government and securities regulators. This approach ensures a uniform implementation of the rule amendments across all provinces and territories in Canada, subject to local legal frameworks. Whether such amendments are made, and the timing of such changes, are subject to the discretion of the relevant government or regulatory body."

Climate thematic review: The 2024 inspections mark the third year of CPAB's climate thematic review and, says the report, "while an increasing number of engagement teams are considering climate-related factors during their risk assessment activities, they are not consistently discussing these risks with management or audit committees." CPAB says it has "also observed that auditors do not always consider climate-related risks when reviewing information such as board minutes, press releases or investor presentations. CPAB supports the ongoing work by national and international standard setters to deliver standards for sustainability assurance engagements and sustainability-related disclosures and where appropriate, shares perspectives on these standard setting activities."

The Hidden Costs of Uncertainty in Canada's Tax System

By Am Lidder, FCPA, FCA, Senior Vice President, Tax Services

Government regulation and taxation are fundamental parts of any economy. These rules act as a guide for businesses and individuals to make informed short-, medium- and long-term decisions when executed effectively.

For the better part of our history, Canada's economic advantage can be attributed to being a safe, predictable and stable place to do business. In other words, there has been certainty. Organizations and individuals have built and invested in Canadian businesses despite the potential for higher costs because they knew they could expect a stable tax regime with clear, predictable and fairly administered legislation.

Changes in tax policy over the past seven years have, however, diminished this advantage and increasingly challenge the attractiveness of the Canadian market.

MNP works with businesses, farms, and professionals that power Canada's economy from coast to coast — including more than 180,000 businesses and 19,000 farms. This provides our network of nearly 10,000 professionals in 130 offices across the country with a unique perspective on how business owners are feeling — and it is clear to us that sentiments have shifted in recent years.

This shift has become especially apparent in 2024. A constant stream of complex regulatory and legislative changes in Canada's tax system in combination with the added administrative burden outside of tax on business owners is creating a climate of uncertainty. This manifests in a lack of trust and confidence in the tax system, which negatively impacts competitiveness, innovation, investment, and productivity. To get back on the right path, policymakers need to adopt a different approach to tax reform.

Cumulative Regulatory Challenges Since 2017

Tax measures

Changes to Canada's tax system cannot be considered in isolation, and we have summarized significant tax changes from the past seven years below to paint a fuller picture. Many private companies and their owners have been adversely impacted by more than one of these measures — and the cumulative impact of these measures have proven damaging to businesses based on our experience.

Taxation of Canadian-controlled private corporations

The federal government introduced a package of measures specifically targeting the taxation of Canadian private companies in 2017, including:

1. **Tax on Split Income (TOSI) rules:** These rules were introduced to target *income sprinkling* and are restrictive in nature, generally failing to recognize the total contribution of family members to support operating a family business. The legislation

itself is subjective in nature and has created uncertainty as to how it may apply to particular situations. More than 50 income tax rulings have been issued by the Canada Revenue Agency (CRA) on these rules to date and this number is expected to increase as taxpayers seek clarity on how these rules apply.

2. **Discouraging holding passive investments within private corporations:** Private company business owners rely on passive investments within the corporation to save for retirement and to help fund capital expenditures in the business. These tax changes have been detrimental to business owners who rely on access to the small business deduction. The changes force them to decide between saving for the future — whether for personal or business use — and managing their tax costs and related cashflow each year.
3. **Preventing conversion of income into capital gains through the use of a private corporation:** The rules were overly broad when initially introduced. While the government did not go through with this measure as originally proposed, it appears to have taken a different route to achieve this through subsequent tax changes.

Trust reporting (T3) requirements

The federal government first introduced proposed legislation for new trust reporting requirements in 2018, to be applicable to tax years ending on or after December 31, 2021. However, the effective date for the reporting requirements was delayed to December 31, 2023. This is presumably due to the complexity and widespread impact of these proposals — particularly the requirement for bare trusts to file annual returns. Still, uncertainty around bare trusts remained.

Many taxpayers were unaware or unsure if they had a filing requirement, as a “bare trust arrangement” is a legal concept and is not defined in the *Income Tax Act* (ITA). The CRA ultimately announced that bare trusts would generally be exempt from the filing requirement for the 2023 tax year on March 28, 2024. This announcement came just before the March 30 filing deadline, when many taxpayers had already invested time and resources to meet their obligations. It remains unclear if the recent August 12, 2024 proposals impacting the enhanced trust reporting rules will adequately address the uncertainty arising from previous years.

Rules on intergenerational business transfers

Rules were introduced through Bill C-208 and enacted in 2021 to support the transition of family businesses. The previous rules resulted in higher tax costs to sell a family business to a family member than to a third party. The further changes introduced in the 2023 federal budget and enacted in June 2024 are, however, far more restrictive and are expected to offer little relief to those looking to transition their family business going forward.

Underused Housing Tax (UHT)

The UHT created expansive reporting requirements for Canadian residential property owners when it was rolled out in 2022. The complex rules and extensive filing requirements created uncertainty for taxpayers.

The CRA announced administrative relief from penalties and interest on 2022 UHT returns and payments that were filed late. While this was welcome news, it highlighted the underlying complexity and uncertainty that taxpayers were facing in order to be compliant. While the government announced changes to the UHT reporting requirements in 2023, those changes remain in proposed status despite the passing of the 2023 filing deadline.

Mandatory disclosure rules for reportable and notifiable transactions
Similar to other recent legislative changes, these rules contain ambiguity in terms of who has to complete the mandatory reporting, while also creating a short time frame to complete the reporting. Multiple parties will be required to effectively gather and submit the same information to the CRA in some cases. These rules add to the heavy administrative burden already placed on taxpayers to remain compliant to avoid penalties.

The General Anti-Avoidance Rule (GAAR)
The recently enacted changes to the GAAR create significant uncertainty as they seek to override years of judicial precedents in interpreting the ITA. Clarity on how the amended rule will apply will likely be available only once it is examined in the tax courts, which is expected to take years.

Alternative minimum tax (AMT)
The federal government announced changes to the AMT regime in the 2023 federal budget. These changes, which were effective January 1, 2024, were not enacted until June 20, 2024. This left four days for many taxpayers to confirm the income tax consequences of any planning in response to the capital gains inclusion rate increase announced in the 2024 federal budget, which came into effect after June 24, 2024.

Capital gains inclusion rate increase
The 2024 federal budget announced an increase to the capital gains inclusion rate effective June 25, 2024. Details on the draft legislation were not released until June 10, 2024, with further draft legislation released in August 2024. The short timeframe between the budget date and the effective date, as well as the lack of details on the proposed inclusion rate change, made it extremely challenging for taxpayers to objectively assess their available options before the effective date.

You might also be interested in:

- **Webinar: Understanding Canadian Indirect Tax Implications in E-Commerce**
- **Recent legislative amendments for Canadian taxes**

Other Measures:
Bill S-211: Fighting Against Forced Labour and Child Labour in Supply Chains Act

This bill imposed significant reporting requirements on a large number of businesses, with unintended downstream impacts on small businesses. The specific requirements were unclear, creating confusion on reporting obligations.

Canada Digital Adoption Program (CDAP)

CDAP was starting to gain traction with business owners before the program was abruptly closed. The federal government had indicated that businesses could continue to reapply as usual just weeks before the closing date was announced, and the unexpected shutdown contradicted this message and left many businesses unprepared. This was disappointing for organizations that had recently discovered the value of this digital transformation subsidy but had not yet applied for funding.

The Practical Cost of Constant Change

Business owners face a significant tax reporting burden and spend a considerable amount of time and resources to meet different annual personal and business tax filing requirements. Some of these resources have, however, been seemingly wasted in recent years due to last-minute extensions or exemptions announced by the CRA — such as for 2022 UHT returns and 2023 bare trust T3 reporting.

The constant changes have a compounding negative impact on Canada's business landscape. New rules are being introduced at a rapid rate without clear guidance on how they impact, or interact with, existing legislation. This makes it increasingly difficult for businesses to be compliant as tax laws continue to evolve.

The uncertainty of constant change, the complexity of current tax policy and the administrative burden on taxpayers all discourage entrepreneurship by increasing the economic risk for entrepreneurs. Recent tax changes disregard the level of risk and hard work that entrepreneurs take on in the hopes of achieving business success.

These are several consequences that we have observed from the increase to the capital gains inclusion rate:

1. **Recruitment and retention of physicians and medical professionals.** This change makes it less attractive for medical professionals to work in Canada, especially when considered along with several of the other tax measures discussed earlier. Canada is already facing a family physician shortage as doctors are considering retiring early, working fewer hours, and leaving family medicine altogether. This threatens the quality of Canada's healthcare system, particularly in rural areas that are struggling to recruit family physicians.
2. **Investment in Canada's technology sector.** Technology companies often rely heavily on equity financing to expand their business. The increased inclusion rate results in higher tax liability for investors when they dispose of their shares and realize capital gains, causing many to reassess their investment strategies. Young entrepreneurs are considering leaving Canada to develop their businesses, which highlights how susceptible this sector is to mobility.
3. **Impact on retirement and estate planning.** Business owners planning to fund their retirement with proceeds from the sale of their business are revisiting whether the after-tax proceeds will be sufficient given the increased inclusion rate. Taxpayers relying on life insurance to fund taxes on death face insufficient coverage, and taxpayers are

now no longer insurable in some instances.

As shown above, the effects of tax policy changes can extend beyond the taxpayers who are directly affected and impact other areas of the Canadian economy.

While investment carries risk, the current regulatory uncertainty amplifies this risk. Businesses are hesitant to invest in areas that could be significantly impacted by government policy change. Reduced investment arising from this concern leads to weakening productivity and a lack of innovation.

Repeated instances of tax policy changes that are not well implemented has led to a breakdown in trust between taxpayers and the government. Canadians face an increasingly complex and cumbersome compliance regime across all levels of government in Canada with respect to regulation and tax policy. Failure to recognize the cost of this overall administrative and regulatory burden will lead to a less productive business and investment climate in Canada.

MNP Recommendations: Moving Towards Certainty
Uncertainty, complexity and poor implementation of policy changes — particularly on tax matters — is making Canada a less desirable place to do business.

To create a more stable regulatory environment, we recommend the following:

1. **Engage in collaborative consultation ahead of legislation being tabled:** The government should commit to increased consultation with industry groups and experts before legislation is introduced to Parliament. The government must constructively react to the feedback being provided; otherwise, such consultations will be perceived to have no meaning.
2. **Commit to undertake a deeper study of the cumulative impacts of tax changes on Canadian businesses and other aspects of the Canadian economy:** This includes an assessment of the cumulative impact of each new tax measure as well as the potential impact on other areas of the Canadian economy. This can help minimize unintended consequences.
3. **Ensure greater alignment between the objective of policy changes and the process by which they are administered:** Consultation between government departments and external stakeholders should be utilized to ensure policy objectives are met without causing undue administrative burden on all taxpayers. Thorough planning should be undertaken before changes are implemented to prevent last-minute changes to compliance requirements as we have seen in the past.

The above recommendations will not only encourage Canadian entrepreneurs to continue their efforts in Canada, but also allow the country to be competitive globally once again for foreign investment.

From coast to coast to coast, many hardworking Canadians are paying for the hidden costs of uncertainty and shouldering the cumulative impact of nearly a decade's worth of constant tax changes. This combination of uncertainty and greater regulatory burden has reduced our global competitiveness and constrained productivity and business investment. We encourage policymakers to act on these recommendations. MNP will continue to work with governments across Canada to offer solutions for the challenges faced by Canadian businesses and the communities we call home.

We Need to Repeal the Ridiculous Journalism Tax Credits

By Kim Moody, FCPA, FCA, TEP

Kim G C Moody FCA, TEP, a tax specialist practicing in Calgary as the Founder of Moodys Private Client Law LLP/Moodys Private Client LLP and Moodys Tax (a division of Moodys Private Client Law LLP). Moody also recently branched out to put more energy into some of his "passion projects" involving public speaking, coaching, leadership studies, taxation policy and economics/public policy. His main area of expertise is tax and estate planning for the owner-manager of private corporations, executives, professional athletes, and other high net worth individuals.

So, how many of you know that Canada subsidizes our journalism industry? It's amazing to me that not many average Canadians know this. And the knowledge of these credits amongst the professional community is also quite low.

Quick Summary

Let me give you a quick summary. Proposed supports were first announced in the 2018 Fall Economic Statement, with details later provided in the 2019 Federal Budget. It proposed three initiatives:

1. Not-for-profit news organizations would be able to receive charitable donations and issue official donation receipts.
2. The creation of a new refundable labour tax credit for qualifying news organizations.
3. The creation of a temporary non-refundable personal tax credit for subscriptions to Canadian digital news media.

All of the initiatives were passed into law by the 2019 budget bill #1, which went into effect for 2019 (with the exception of #3 above, which became effective for the 2020 taxation years and, under current law, will expire after the 2024 taxation year).

The first initiative above was implemented by introducing various definitions into the Income Tax Act (the "Act"):

- "Q*ualified Canadian journalism organization*" under subsection 248(1), which has a variety of requirements but also requires the Minister of National Revenue approval. The Minister may also take into account the "*recommendations of a body established for the purpose of this definition.*" More on the "body" below.
- "*Qualifying journalism organization*" defined for this purpose in subsection 149.1(1) of the Act.
- *Registered journalism organization*" as defined in subsection 248(1) of the Act.

Combined together, and assuming all of the relevant definitions are met, such organizations are now able to be a "*qualified donee*" (as laid out in paragraph 149.1(1)(b.1)), thus enabling such organizations to issue charitable receipts.

The second initiative is a very lucrative refundable tax credit that is laid out in section 125.6 of the Act. To qualify for such credits, the organization must be a "*qualifying journalism organization*" as defined in subsection 125.6(1) of the Act. Twenty-five percent of such an organization's "*qualifying labour expenditures*" (as defined in subsection 125.6(1) of the Act) is eligible as a refundable tax credit subject to an annual cap of $55,000 of salary per employee (meaning an annual refundable tax credit of $13,750, with such amounts prorated for short taxation years). This was recently increased, for taxation years beginning after 2022 to be 35% of $85,000 or $29,750.

The third initiative provides an individual a maximum federal personal tax credit of $500 x 15% if the individual has a digital news subscription with a *qualified Canadian journalism organization*.

How Much is All of This Costing Canadian Taxpayers?
When introduced, the 2019 budget documents (see page 353 at the link here) projected that the above measures would cost Canadian taxpayers $595M for the period from 2019-2020 to 2023-2024. (The latest Report on Federal Tax Expenditures seems to suggest the measures will cost Canadians less than the original estimates). Recent 2023 amendments, discussed below, add another $100M+ to this estimate. Admittedly, this is not a lot of money when compared to the entire budget revenues and expenditures. But that's not the point. I'll comment on the major concerns of this legislation below.

Changing consumer habits as a result of emerging technology dramatically and negatively affected traditional newspapers.

Why Were These Proposals Introduced?
There is no doubt that traditional print media has struggled mightily for quite some time. Changing consumer habits as a result of emerging technology dramatically and negatively affected traditional newspapers. In my hometown of Calgary, AB, for example, the once flourishing and very large Calgary Herald building that sat so proudly on Deerfoot Trail has long been abandoned and recently sold to U-Haul. This is a small but very visible sign of the struggles and changes that traditional print media have endured. Combine that with large technology companies that aggregate news content without paying the content creators adds even more pressure.

So, the question is what to do? Do you let traditional news organizations fail? Or find their way? Interesting questions with no easy answers. However, the government of Canada chose to subsidize such organizations in the manner described above. After the proposals were released, Heritage Canada – the Department responsible for administering these initiatives – released a news release that partially stated the following:

"The Government of Canada understands that for a democracy to function properly, it needs to have solid, independent news media. It also recognizes that Canadians now consume information differently. Readers are changing their habits and are getting information online.

"The Honourable Pablo Rodriguez, Minister of Canadian Heritage and Multiculturalism, today confirmed that an independent panel of experts is being set up to make recommendations on the eligibility criteria for tax measures announced in Budget 2019 to assist Canadian journalism organizations that produce original news."

The above news release also contained the names of the eight associations that would provide recommendations as to who should comprise the so-called "expert panel" that would ultimately provide recommendations as to which organizations would qualify as a *qualified Canadian journalism organization* as discussed above.

If you believe the government, the measures were necessary to save Canadian democracy since it wouldn't function properly if journalism organizations failed. Seems like a stretch to me. If traditional print media failed, then other organizations would inevitably pop up to fill the void. And we have seen a lot of that over the years. In an effort to discredit these new journalists, such organizations are often painted as "far right" or "far left" independent media. Such stigmas are not helpful.

One of the major concerns expressed by many Canadians when these proposals were first introduced was that the organizations who took the incentives would be afraid to "bite the hand that feeds them."

Where Are We Today?
The journalism incentives have been around since 2019. There has been very little pick-up on the first initiative (enabling certain non-profit organizations to be treated as a registered journalism organization thus enabling them to issue charitable receipts for donations received). The list of organizations currently disclosed as registered journalism organizations can be viewed here. However, the list of qualified Canadian journalism organizations – which can be viewed here – is much, much longer and interesting to review to see which organizations are trying to take advantage of the incentives.

So, all to say, the incentives are alive and supposedly well…

So, What's the Problem With All of This?
Well, there's a lot wrong with all of this. Here's a partial list of my very obvious concerns:

- A free press, which I agree is an important aspect of a functioning democracy, should be independent both from a legal and appearance perspective. Providing government incentives does not assist with helping to achieve this objective.
- Further to the above, one of the major concerns expressed by many Canadians (including myself) when these proposals were first introduced was that the organizations who took

the incentives would be afraid to "bite the hand that feeds them." Five years into the incentives, I would agree that this is still a very valid concern. There are many examples of biased reporting (which, of course, is not a new phenomenon) that, anecdotally, seems to have gotten worse since 2019. Is this solely the result of the journalism incentives? Obviously, no, but it certainly hasn't helped. As a result, I have cancelled all of my newspaper subscriptions (with the exception of one) and mobile news feeds (such Apple News) in recent years and instead rely on new organizations that have emerged. If I want biased reporting, I can easily find it myself.

- Are providing incentives "the answers" to a foundational and existential problem that traditional print media has faced? In my opinion, no. So, do I have a great solution, then. Nope. I'm certainly no media expert. Although, I must admit that enabling traditional print media find its way and re-invent themselves – combined with new entrants to the market – does seem appealing to me since that is generally how society works. Societal changes pose both threats and opportunities. Entrepreneurs face that reality daily so not sure why traditional print media shouldn't change as well and find their way. Yes, change – including cuts of staff and operations – is sad but ultimately it is often inevitable. To pour money into an old model of doing business doesn't seem right to me.

- I'm not a big believer in government picking "winners and losers" by having a so-called "expert panel" provide recommendations to the Minister for approval. There is no shortage of historical experience that shows such a methodology and system is ripe for abuse, including politically charged bias. In my opinion, if you are going to have a system of incentive credits, the criteria should be very objective and free from the subjective influence and control of so-called "experts."

- But, perhaps I'm wrong about the above. There is no shortage of people who disagree with my views regarding the journalism tax incentives. If I am wrong and indeed incentives are a great idea, then query whether Canada's taxation system is the proper way to provide such incentives? The Act is already too complicated. Adding incentives such as the journalism amounts simply adds unnecessary complexity and the need for additional public servants to wade through the complexity and administer it. There has to be a simpler way to provide incentives.

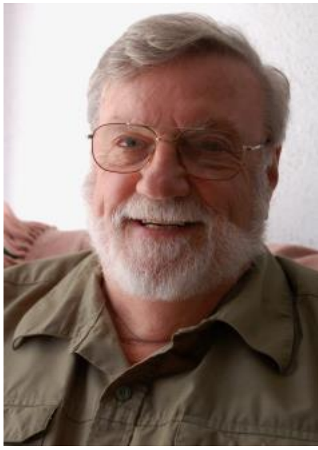
Some Final Thoughts

If you have made it this far in the article and you previously didn't know about the journalism tax incentives, well hopefully now you do. But, to re-emphasize, if it hasn't been abundantly clear, I'm not a fan of these incentives. Ultimately it will do nothing to save traditional print media companies from inevitable change. The perception of bias is a major problem and a functioning democracy should steer clear from such bias and enable free speech, "freely."

These so-called incentives need to be repealed.

How to Implement Strategic Corporate Social Responsibility

By Gerald Trites, FCPA, Editor-in-Chief



Jerry is a retired partner of KPMG, and a retired, tenured Professor of Accounting and Information Systems at St Francis Xavier University. He also served for 12 years as Executive Director of XBRL Canada and has published 12 books and numerous articles and papers. He is Editor in Chief of ThinkTWENTY20

"In 2001, the European Commission proposed its first definition of Strategic Corporate Social Responsibility (CSR). In a Green Paper, it is stated that CSR is 'a concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis'"[1] "Today, CSR is elevated to a strategic level and has become fundamentally about how the money is made. Hence, it is about integrating CSR principles in businesses' strategy and core operations that include all parts of the often globally expanded value chain."[2]

Fundamental changes are required to implement strategic CSR. It requires changes in the behaviour of personnel in the business carrying out any functions relative to ESG matters as well as finance personnel. It would be necessary for them to work together through a common understanding of the direction being taken by the company. The change process generally used in strategic planning with some tweaking is an appropriate way to implement the required changes.

CSR is a natural extension of integrated thinking, a necessary element of integrated reporting, under which financial and ESG reporting are pulled together and integrated in a single report. Integrated thinking is introduced in the Integrated Reporting Framework and further explained in the "Integrated Thinking Principles" issued by the Value Reporting Foundation, now consolidated into the IFRS Foundation. Full integrated thinking in the sense of being incorporated in all the corporate operational and strategic thinking is, as a practical matter, a long-term goal.

Strategic Planning

Strategic CSR starts with integrating social, environmental and governance considerations into a company's overall business strategy, creating a positive impact on both society and the organization itself. To accommodate effective CSR, the corporate strategic planning must include the effects of value change on all the capitals being used in the company. The CSR related strategies would focus on which strategies affect which capitals and to what extent.

Strategic Planning generally involves the following steps:

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[1] Christopher Wickert and David Risi, *Corporate Social Responsibility* (Cambridge University Press: July 2019).

[2] Wickert and Risi, Cambridge University Press, July 2019.

1. Define the vision

A clear vision is necessary to begin the planning process. This begins by identifying the purpose and values of the company, as well as its challenges and opportunities. By aligning the CSR strategy with the company's core business objectives, it becomes an integral part of the organizational culture and decision-making processes. From the vision, the objectives of the organization can be derived by linking the operations of the company to the overall elements of the vision. In determining a vision, the United Nations Sustainable Development Goals (SDGs) outlined in the preceding chapter provide a good starting point. Clearly, no one company can achieve all those goals, nor can any group of companies nor any one country. But many companies can identify areas within them where they can focus their CSR efforts and make a contribution without altering their basic business model.

CSR is a natural extension of integrated thinking, a necessary element of integrated reporting, under which financial and ESG reporting are pulled together and integrated in a single report.

Several companies start their CSR journey by defining their vision in terms of a Social Purpose or Social Value Statement. Such a beginning forces the company to think about how it can approach its implementation of CSR. For example, Maple Leaf Mills, a very well-known Canadian company in the business of making and selling protein food products, such as bacon and other packaged meats, has identified its social purpose by using the slogan “Raise the Good in Food.” Further its social purpose statement reads “We’re a carbon neutral food company on a purposeful journey to ‘Raise the Good in Food’ through better nutrition, safer food and workplaces, more humane animal care, and sustainability efforts that protect our planet.”[3]

2. Identify the Points of Intersection

To develop a suitable CSR strategy, it is necessary to narrow down the thinking from the overall issues facing society such as those represented by the UN goals. This is generally done by identifying the points of intersection between those broad societal goals and the activities of the company. There are two basic ways to approach this task – from the inside out and from the outside in.

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[3] https://www.mapleleaffoods.com/,

The inside-out approach involves starting with the activities of the company and matching them up with the overall issues of society. For example, if a company runs manufacturing plants in various cities, it could consider what impact the plants might be having on the local environments, such as air or water pollution, and consider strategies to reduce the negative impact. Or they could look at the role they are playing in the community and perhaps sponsor local team sports for the benefit of everyone living in the area.

The outside-in approach involves thinking about the environment and how it affects the company. This could include the legal environment and how friendly it is to business activities. Or it could look at whether the local environment provides enough skilled workers. Perhaps it would adopt training programs to help address deficiencies or sponsor programs at a local community college.

Parley for the Oceans is the global environmental organization where creators, thinkers and leaders come together to raise awareness of the beauty and fragility of the oceans and collaborate on projects that can help end their destruction. In 2018, Adidas partnered with Parley to make shoes out of recycled plastics destined for the ocean. Parley collects the plastic from beaches and Adidas breaks it down into usable material. Each shoe in the Parley collection is made from at least 75% intercepted marine trash.[4] Studies indicate that, by 2030, there will be more plastic in the ocean than fish. It is well documented how much damage this creates. Adidas is doing its part to modify its manufacturing process to reduce the amount of plastic in the oceans. They did this by partnering and by modifying its core product without altering its business model.

By setting clear objectives, companies can track their progress, demonstrate commitment, and continuously strive for improvement in their CSR initiatives.

3. Determine Priorities

Prioritizing objectives enables the company to develop practical action plans. Integrated thinking is needed in this process so that the concerns of society and the financial needs of the company both can be taken into account.

Perform a materiality assessment to identify the most significant social, environmental, and economic impacts of your business. This helps prioritize CSR initiatives and allocate resources effectively. Consider conducting a stakeholder engagement exercise or utilizing industry-specific sustainability frameworks to support this assessment. Conducting a materiality assessment helps identify the issues that are most relevant to the company and its stakeholders. This assessment considers both internal and external perspectives to determine the key social, environmental, and governance aspects that have the most significant impact on the company's operations, reputation and value chain.

[4] https://www.sustainablebusinesstoolkit.com/examples-corporate-social-responsibility/.

Set Specific Goals and Targets. Once the material issues are identified, the next step is to set measurable goals and targets. By setting clear objectives, companies can track their progress, demonstrate commitment, and continuously strive for improvement in their CSR initiatives. Develop comprehensive CSR policies and programs that address the identified material issues. Strategic CSR requires embedding CSR considerations throughout the company's operations. Integrate CSR considerations into all levels of the organization and across business functions. This involves training employees on CSR principles, promoting responsible decision-making and embedding sustainability practices into day-to-day operations. It includes integrating social and environmental criteria into procurement practices, supply chain management, product development and employee practices. For example, companies can adopt sustainable sourcing practices, develop eco-friendly products and promote diversity and inclusion in their workforce. By integrating CSR into the core business functions, companies create long-term value while addressing societal and environmental challenges. Ensure that the policies are aligned with legal requirements, industry standards and international guidelines. Encourage innovation and collaboration to identify opportunities for positive impact.

Managing a CSR system is an ongoing process that requires commitment, adaptability and a genuine desire to make a positive impact. By integrating CSR into the core business strategy, companies can contribute to a sustainable future while enhancing their reputation and long-term success.

Collaborate and Engage with Stakeholders. Stakeholder engagement is crucial in implementing strategic CSR. Companies need to understand the expectations and concerns of their stakeholders, including employees, customers, suppliers, communities and investors. By engaging stakeholders in dialogue, involving them in decision-making processes and soliciting their feedback, companies can gain valuable insights, build trust and ensure that their CSR initiatives are aligned with stakeholder expectations.

Employees play a pivotal role in driving CSR initiatives. To foster a culture of social responsibility, companies can implement employee engagement programs. These programs can include volunteering opportunities, skills-based pro bono projects and sustainability training. By empowering employees to contribute to social and environmental initiatives, companies not only enhance their CSR impact but also improve employee morale, satisfaction and retention.

Addressing complex social and environmental challenges requires collaboration. Companies can form partnerships with non-governmental organizations (NGOs), academic institutions, government agencies, and other businesses to pool resources, expertise, and networks. Collaborative initiatives can amplify the impact of CSR efforts, drive innovation, and promote shared learning and best practices.

A good CSR program creates a marketing opportunity. One that will not only lead to increased sales, but will serve to improve the reputation of the company.

Develop and Launch Action Plans. Too many strategic planning exercises end up as reports sitting on a dusty shelf, the most common reason for this is that they did not contain action plans or did not contain workable action plans. Buy-in is absolutely essential in order for the plans to work out. This includes buy-in from the people to be given the responsibility to carry out the plans and buy-in from the management who must ultimately take responsibility for the outcomes from a corporate perspective. This may require organizational changes to bring the right resources to the new tasks.

It is also important for the action plans to include specific targets that can be measured and progress monitored.

Measure, Monitor and Evaluate
Results of a CSR program must be monitored regularly and measured against the overall objectives previously established. A steering committee is helpful in making this work effective.

Regularly review and evaluate the effectiveness of the CSR system and initiatives. Seek feedback from stakeholders, conduct internal audits, and stay updated on emerging trends and best practices.

Establish key performance indicators (KPIs) and metrics to track and measure the progress of CSR initiatives. Monitor and report on the company's performance against these metrics regularly. This data will help identify areas for improvement and demonstrate the company's commitment to CSR.

Assess and manage the social and environmental impacts of the supply chain. Encourage suppliers to adhere to ethical practices, such as fair labor standards and responsible sourcing. Implement supplier codes of conduct and conduct audits and due diligence programs to ensure compliance.

To ensure the effectiveness of CSR initiatives, companies need to establish robust monitoring and evaluation systems. Measuring the outcomes and impacts of CSR efforts against set goals and targets enables companies to track progress and identify areas for improvement. Regular reporting of CSR performance enhances transparency and accountability, fostering trust among stakeholders and showcasing the company's commitment to sustainability.

Communicate and Market the New Initiative

Communicate CSR initiatives and progress transparently through various channels such as annual sustainability reports, website content and social media platforms. Share successes, challenges, and lessons learned to maintain accountability and engage stakeholders.

A good CSR program creates a marketing opportunity. One that will not only lead to increased sales, but will serve to improve the reputation of the company.

Maple leaf Mills does a good job of this. It is important to note that the social purpose of Maple Leaf Mills is closely related to their core products and its business model. Integration of its social purposes and its financial business model comes more naturally and is much more feasible than if they had defined a high end, vague social policy and then tried to figure out how to fit it into its business model. They get into more specifics in their website, for example, “high-quality meat products, meat that’s never been treated with antibiotics and plant-based protein options” are mentioned.

Adopt Continuous Improvement Techniques

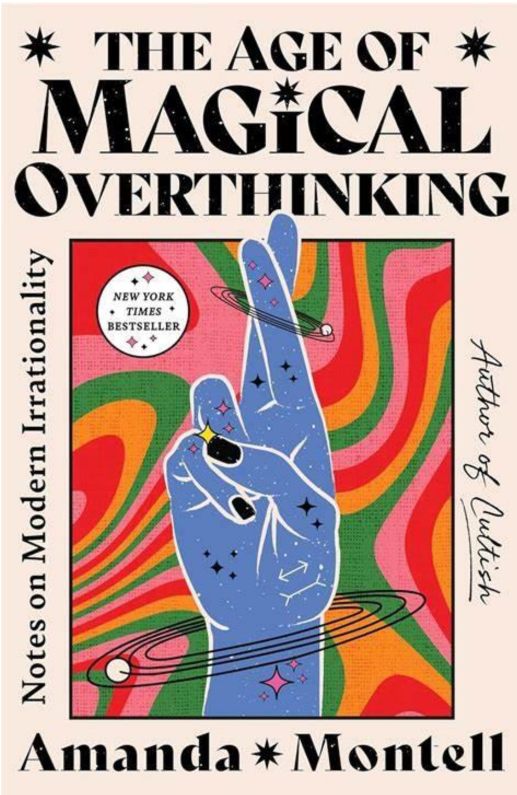
Implementing strategic CSR is an ongoing process. Companies must regularly review and revise their CSR strategy to adapt to evolving social and environmental trends, emerging issues and stakeholder expectations. Learning from experiences, both successes and challenges, allows companies to refine their CSR approach, and align it with changing circumstances. Continuous improvement then becomes a part of the management of CSR. Adapt and refine the CSR strategy accordingly to ensure continuous improvement and relevance.

This article draws heavily on the book Beyond Sustainability Reporting – A Roadmap to Corporate Social Responsibility, by Gerald Trites, published in early May, 2024 by Business Experts Press of New York and available on Amazon.

Right-now Conversations

By Linda M Deane

Linda M Deane is a British-Barbadian writer, editor, and lit learning guide known as The Summer Storyteller. She is a former journalist, a graduate of Warwick University and, with Canadian-Barbadian author Robert Edison Sandiford, one half of ArtsEtc, an independent publishing house and cultural resource in Barbados. She writes for children and adults, her poetry and essays earning national prizes, including a Governor General's Award of Excellence in Literature. Her work can be found at www.artsetcbarbados.com, Bim, Preelit.com, acalabash.com, and the Dirigible Balloon. Her first poetry collection, Cutting Road Blues: A Narrative, will be published next year.



Let’s say you are a reader of a certain age, generation and disposition. I am trying hard not to use the term “boomer” here, but let’s say you can still recall growing up in a house where the telephone was a rotary dial and lived by itself on a stand in the hallway. Let’s say you can still remember the feeling when a grown-up told you to go look for the answer in a dictionary or the set of encyclopaedias they were still paying for. Or, more brutal still, bicycle to the local library and consult the shelves there. Let’s say a great portion of your social life was conducted over said rotary phone or via public telephone, or handwritten letters even. You and your friends met up, you got to where you were going. You lived to tell the tale to an incredulous younger generation.

If that is you, I’m tempted to say Amanda Montell’s *The Age of Magical Overthinking: Notes on Modern Irrationality* (Simon & Schuster, hardcover, 978-1668007976, 200 pp, 2024) is not for you, for it is very much concerned with the reality of living right here, right now in the hyperconnected, technological age that is our 21st century.

I’m also tempted to say that, if you weaned yourself off your socials long before the wellness gurus started prescribing digital purges; if you consider yourself to be media literate, critically aware and wary of the mass messaging around you; and if you don’t follow the herd, then you might again, swiftly and reasonably, conclude that this book – which excavates some of the horrors that social media use and addiction visit on the modern spirit and psyche – has no use for you.

And I say tempted because if, like me, you are a Luddite at heart, largely removed from current pop culture, already in touch with nature, prefer face-to-face human contact, benefit from the calming power of arts and crafts, and you're a longtime practitioner of something called "shine theory" without even knowing that term, you might easily be convinced that Montell has nothing new to tell you.

Well, fellow Luddites and content rock dwellers, we might all be a lot wrong and a little amazed.

The Age of Magical Overthinking (the title itself a playful riff on all the magical and positive-thinking publications of recent decades) can be considered the self-help you didn't know you needed, an unexpected guide to understanding and navigating our present time and place.

In eleven lively, chatty chapters, Montell takes us through some of the anxieties, biases and fallacies that make up the overthinking plaguing our modern life. She employs a peppy, pop-journalistic storytelling style that is witty, engaging and seems informed by her past life as a freelance online writer and editor. She also draws deeply on her own personal history. (Her relationship with her mother and a past lover are all fair game.)

Each chapter is presented as a "note" on a particular effect, fallacy or bias, with examples given to illuminate and discuss that effect. She backs up her explorations with plenty research, both current and historical, liberally sprinkling her text with data from psychology and scientific studies. There are also interviews with and quotes from experts, literary and other cultural figures.

The opening chapter, "Are You Our Mother, Taylor Swift?," is a note on something called the halo effect.

In it, the author examines superstardom and superfandom. She niftily breaks down for us how "stans" (a mash-up of "stalkers" and "fans") engage in parasocial relationships (deep, fantasized, one-sided personal connections with their idols) and fall prey to the aforementioned halo effect of holding the celebrity up to impossibly high standards. Montell paints a toxic meta world where some fans gain so much power as influencers that they can dictate demands to celebrities fearful of losing followers, fame, fortune. Much of this misbehaviour is perpetuated online, where stans generally live.

The chapter (and the introduction that describes what led Montell to write this book) is a smart jumping-off point. The author may even be employing some of the tricks and illusions she explores in subsequent chapters to get us hooked. The reader who has only heard the term "stans" or "Swiftie" before but was too lazy to investigate, that reader now wants to know more!

Read sequentially or at random, each snappily titled chapter reveals increasingly treacherous terrain, and we can't look away.

In "A Toxic Relationship Is Just a Cult of One," the author draws on her experience writing a previous book about cults and cultish behaviour to examine why some people stay in abusive relationships. She uses a past, pernicious romance to explain "sunk cost fallacy," when a person feels too invested in something – a business, a project, a relationship, an idea even – to pull out of it, so afraid of appearing like a loser or a failed risk-taker to others.

One of the most fascinating chapters is "The Shit-Talking Hypothesis," which examines something called zero-sum bias – or what we humans do when our beliefs and our behaviours don't match up. For instance, we might want to be healthy, but we can't give up smoking or drinking. Montell digs down into the guilt or avoidance behaviours that can result. The chapter also looks at the negative effects of comparison, and the false and damaging intuition that one person's gain directly means another person's loss; that there can't possibly be enough light in the world for everyone to shine.

Montell describes, entertainingly at her own expense, how she herself fell prey to this bias in her previous incarnation as an online beauty editor. She shares how having to compete in that outwardly superficial world fed her insecurities, which carried over into her current career as an author. But then she discovered "shine theory" – a recent term for an old understanding that we actually *benefit* when we keep company with someone who shines: their light touches us. Turns out there is enough to go around!

The author traces the origins of her own irrationality (and other modern behaviours she discusses) to humans' ancient survival gene. "Social comparison is instinctive and at best it aids in identity formation...people have always looked to each other to figure out who the hell they are," she writes. The trick is to avoid the extremes.

One of the most provocative and provocatively titled chapters – "What It's Like to Die Online: A note on survivorship bias" – recounts Montell's own research into six terminally ill women who documented their medical journeys online, some of whom the author met and befriended. She considers what is, by definition, the ephemeral and finite nature of the popularity of such YouTube channels and TikTok accounts, and the correlation between online and social media addiction and rising rates of depression, anxiety, self-harm and suicide especially among young people.

Two back-to-back chapters, one on overconfidence titled "The Scammer Within" and the other, "Haters Are My Motivators," provide fascinating insight into, among other things, the Dunning-Kruger Effect (which may not be such an effect after all, say its founders, since we're *all* guilty of it; it's simply about knowing exactly how *much* confidence to project!) The chapters also delve into the power of language – how rhetoric, rhyme, repetition (of both sound and information, notably sensational or negative information), and even proverbs, play upon the human ear and brain – and how politicians, advertisers and other attention seekers use its power against the rest of us.

It's compelling stuff, and Montell's writing can induce spells of navel-gazing: make readers re-examine aspects of their life, childhood, relationship with a parent, media intake, astrological beliefs, rose-tinted view of the bad-old, good-old days, or the nature and extent of their fandom. She had this rock dweller reassessing her teen obsessions with Michael Jackson and Starsky and Hutch!

At times it feels as if Montell is trying hard to balance her ripping-yarn style with something that reads more scholarly. The stats and the storytelling don't always sit comfortably together on the page. The chapter on nostalgism might be an example.

Non-Western, non-American readers, too, might want to be mindful that Montell's book is largely Western and American in perspective and tone, though it addresses what is very much a global technological and human concern, and it assumes that we are all digital captives.

One might also question the shelf-life of a book like this, which is a snapshot of a fast-moving, fast-changing, ephemeral culture. Even as I read and enjoyed, there were current news headlines about celebrities (Chappell Roan, Adele) pushing back against “standom” or taking breaks from stardom; schools and academies banning smartphones; and real reckoning for online hate and fake news spreaders – developments Montell or another social documentarist will have to capture in the next book cycle.

As much as Montell presents a world that feels tilted way off its axis, she manages to close on an optimistic note. The final chapter, “The Life-Changing Magic of Becoming a Mediocre Crafter,” offers a surprisingly analogue antidote to the messiness of life in the digital age: use your hands to make, bake, build or craft something, she instructs. Or, at least, be involved in the process of creating the thing. (She herself turned to furniture flipping with a friend and testifies to the benefits.) Montell offers evidence, from DIY furniture and cake-baking brands, that supports the idea that shared creation is an edifying, unifying – and profitable – practice.

Ultimately, all Montell’s chapters offer fuel for right-here, right-now conversations with the people in our lives, loved ones and other ones, from online denizens to rock dwellers. And with ourselves.