



VIA EMAIL: [commentletters@ifrs.org](mailto:commentletters@ifrs.org)

July 26, 2021

Mr. Erkki Liikanen, Chair

IFRS Foundation Board of Trustees  
Columbus Building  
7 Westferry Circus  
Canary Wharf  
London  
E14 4HD

Dear Mr. Liikanen:

**RE: PROPOSED TARGETED AMENDMENTS TO THE IFRS FOUNDATION *CONSTITUTION* TO ACCOMMODATE AN INTERNATIONAL SUSTAINABILITY STANDARDS BOARD TO SET IFRS SUSTAINABILITY STANDARDS (“THE PROPOSED AMENDEMENTS”)**

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD \$199 billion in assets under management, and one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will deliver strong and stable financial returns.

BCI welcomes the opportunity to comment on the Proposed Amendments relating to the *Constitution* of the IFRS Foundation. This submission follows the one BCI made in December 2020 where we emphasized the following points for consideration:

- the IFRS Foundation must move quickly;
- think broader than climate;
- standards need to be industry-specific;
- no need to build from scratch; and,
- maintain focus on capital market users.

BCI would reiterate the above points as the organization continues to wrestle with the complexity of global and regional developments in the field of sustainability reporting. We have also addressed the specific questions posed in the Exposure Draft below for your consideration.

**Proposal 1 – Expand the Foundation’s remit to create a new board that will set IFRS sustainability standards**

Question 1: Do you agree that the amendments proportionately reflect the Trustees’ strategic direction?

Generally, BCI agrees with the changes made to the objectives of the IFRS Foundation to accommodate the formation of a new board. The only potential confusion we see is the difference in certain language that refers to the ISSB standards needing to ‘connect with multi-stakeholder sustainability reporting’. This language is not part of the objectives of the IASB, and it is not clear exactly what is meant by connect and potentially contradicts the IFRS Foundation’s strategic focus on investors. BCI would encourage more explicit language given the significance of the *Constitution*.

In terms of the new sections 43 -56, BCI sees some opportunity for refinement. The first would be to ensure that adequate representation exists from the investor community on both the IASB and the ISSB. The current governance structure only accounts for regional representation with designated seats for different regions of the world. Our review of the IASB members, suggests that only two of twelve members of the IASB have investment management experience. It is our view that these boards must include higher levels of investor representation as it is this community that is clearly identified in the objectives of the two boards as the end users served by the IFRS Foundation. The current consultation represents an opportunity to rectify this gap by codifying representation from different stakeholder groups, and ideally an investor representative would serve as Chair or Vice-Chair on both boards.

We do appreciate that allowing more part-time members of the ISSB compared to that permitted by the IASB, has practical benefits given the expertise required. However, it could be more clearly specified how the boards manage conflicts of interest. Those members who are part-time will be more likely to face conflicts so more attention to this beyond a reference to meeting appropriate guidelines would be welcome.

We also question why there is a lower standard in order to release an Exposure Draft or standard for the ISSB compared to what is required for the IASB. Our suggestion would be to have these requirements be consistent between the two boards as many other requirements are, for the purpose of consistency and credibility.

**Proposal 2 – Create the International Sustainability Standards Board under the Foundation’s governance structure to set IFRS sustainability standards**

Question 2: On the potential naming of the new board and its associated standards, do you agree that ‘the International Sustainability Standards Board (ISSB)’ setting ‘IFRS Sustainability Standards’ accurately describes the function of the new board and its associated standards?

BCI agrees that the IFRS has a significant amount of credibility and changing the name at this point might detract from that established position. Although some may see the inclusion of the ‘financial’ in IFRS as problematic, BCI sees this as reinforcing the notion that sustainability issues are financially material and impact a company’s financial position. This may even provide an opportunity to illustrate how the two boards can interact and complement one another rather than simply being two parallel work streams.

### **Proposal 3 – Consequential amendment to the Foundation’s governance**

Question 3: Do you agree with this proposed consequential amendment, outlined in proposed new sections 60 and 61 of the *Constitution*?

Yes. BCI has no concerns with these changes that are being made to reflect reporting lines between the Executive Director and the trustees.

### **Other Matters**

Question 4: Are there any other matters you would like to raise in relation to the proposed targeted amendments to the *Constitution*?

One question we have centers on the language used in the objectives of the IFRS Foundation. Currently, the objectives refer to setting a single set of standards for both the IASB and ISSB based upon clearly articulated principles. Given our preference for an industry-specific approach, we wonder if this will allow for flexibility if the ISSB wishes to take a more prescriptive approach rather a principles-based one. While this has not been the approach of IFRS in the past, when it comes to sustainability standards, it is essential in our view. This is one of the many reasons we advocate for both Sustainability Accounting Standards Board (SASB) and the Taskforce on Climate-Related Financial Disclosure (TCFD) reporting as these allow for an industry-specific approach driven by materiality of the issues.

If a single set of standards to be used regardless of industry, is the goal of the IFRS Foundation, the needs of investors will continue to be unmet as they will lack the specificity and materiality lens required by the investment community. BCI encourages the IFRS Foundation to consider whether the *Constitution* allows for industry specific standards to be set or whether this needs to be made more explicit.

BCI also noted that changes to the overarching Trustee Board are not contemplated despite the addition of a significant new work stream. It is our view that relying on ‘regular rotation of its membership’ will not provide adequate oversight of two very distinct boards with unique objectives. Similar to our views on the composition of the new ISSB, we see a need to increase representation from investors as well as ensure that Trustees have sufficient experience with sustainability reporting to oversee this work.

### **Conclusion**

BCI finds it encouraging that the IFRS Foundation is continuing to seek public input in addition to the many ongoing activities outlined in Appendix B of the Exposure Draft. A great deal of work is required to meet the key requirements for success identified by the IFRS Foundation and external stakeholders. Thank you for the opportunity to provide our perspective on such an important topic and feel free to reach out to Jennifer Coulson, Senior Managing Director of ESG in Public Markets for further input.

Sincerely,

A handwritten signature in blue ink, appearing to read "Daniel Garant", is written over a solid black horizontal line.

Daniel Garant  
EVP & Global Head, Public Markets

cc Jennifer Coulson, Senior Managing Director ESG