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VIA EMAIL: **commentletters@ifrs.org**

December 23, 2020

Mr. Erkki Liikanen, Chair

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

Dear Mr. Liikanen:

RE: CONSULTATION PAPER ON SUSTAINABILITY REPORTING ("THE PAPER")

British Columbia Investment Management Corporation (BCI) is an investment manager with over CAD $170 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 Consultation Paper on Sustainability Reporting ("the Paper"). The fact that the IFRS Foundation is engaging in this conversation and thinking about playing a role in sustainability reporting is encouraging from our perspective as it indicates a maturing in the field. This maturation of ESG or sustainability reporting is a trend we have now watched for decades and we feel that the IFRS Foundation can serve as the next catalyst for more consistent, comparable and decision-useful information for investors.

BCI's responses to the questions posed in the Paper are attached as an appendix. However, we would like to underscore some key messages to the IFRS Foundation Board of Trustees as you contemplate your role going forward. As a global investor, we are acutely aware of the fragmented landscape of sustainability disclosure, so we are encouraged about the potential for the IFRS Foundation to bring consistency and credibility to this discussion. The endeavour is not without pitfalls, so we would see the following points as key to ensure the success of the establishment of a Sustainable Standards Board (SSB) under the current governance of the IFRS Foundation.

The IFRS Foundation must move quickly

As some jurisdictions are moving fast on mandatory disclosure requirements, we think it is essential that the IFRS Foundation chooses a path to development and implementation that is swift. This will avoid further fragmentation and minimize inconsistent uptake and adoption. Not only do investors require sustainability data, but taking too long to produce a common standard will only create additional confusion within the regulatory landscape.

Think broader than climate

We don't disagree on the importance of climate change as a systemic risk. However, we would argue that focusing on climate disclosure will only provide a piece of the puzzle and only delay other material disclosure from reaching investors. Focusing on a single issue is also inconsistent with the point above on moving swiftly. Tackling climate change disclosure first, means it will simply take longer to get to a broader set of ESG disclosure and we are concerned that climate change is more material for some companies than others. A materiality-based approach addressing all sustainability issues will better serve investors.

Standards need to be Industry-Specific

To be meaningful to investors, sustainability reporting must be geared to industry-specific issues. What is material for a financial institution is simply not the same for a mining company. We do not find broad ESG indicators that apply to all companies, to be decision-useful as they rarely address all of the material issues faced by companies. Given that IFRS standards have traditionally been principles-based, the IFRS Foundation would need to appreciate the value of moving towards a more prescriptive standard-setting process given the uniqueness of sustainability reporting.

No need to build from scratch

The IFRS Foundation has the advantage of drawing directly from those organizations that have done extensive work in this area and that have already gone through a significant amount of due process to establish standards already in use. BCI would draw particular attention to the importance of SASB and TCFD at least in the initial phase. The resources associated with these initiatives are invaluable for the IFRS Foundation in order to build and acquire expertise in sustainability reporting standards which are very different than accounting standards. A model that brings these initiatives under the IFRS Foundation also meets our expectations around pace as standards do not have to be built over several years but can be adapted in a much shorter time frame.

Maintain focus on capital market users

If the IFRS Foundation were to adopt a multi-stakeholder model, it would not only be deviating from its current mandate and mission, but our fear would be that such an approach would take much longer to build out. For these reasons, we believe it is more efficient to focus initially on investors as primary users and maintain a financial materiality lens. Certain markets may want to go further and build on the IFRS Foundation work, but the baseline for the SSB should be financial materiality.

This is an important inflection point for sustainability reporting and we welcome the work of the IFRS Foundation on this topic. BCI feels that a valuable contribution can be made to existing standards to ensure that investors receive the global consistency that is desired. Thank you for the opportunity to provide our perspective on such an important topic and feel free to reach out to Jennifer Coulson, Vice President of ESG in Public Markets for further input.

Sincerely,

Daniel Garant
EVP & Global Head, Public Markets

cc Jennifer Coulson, Vice President ESG

Appendix: Responses to Specific Questions in the Consultation Paper

Question 1: Is there a need for a global set of internationally recognized sustainability reporting standards?

BCI agrees that there is a need for internationally recognized sustainability reporting standards that specifically meet the needs of investors. This is the main reason why we supported the Sustainability Accounting Standards Board (SASB) as a founding Investor Advisory Group (IAG) member, in the hopes that these standards would eventually lead to such a global standard that is geared towards the needs of capital markets participants.

A globally recognized standard would bring the consistency and comparability that we currently lack based on today's largely voluntary and diverse landscape of disclosure requirements. Considering that the SASB IAG now consists of 55 global investors managing over $41 trillion in assets under management in addition to SASB's identification of reporting companies in 37 countries, we would suggest that there is widespread demand for a global set of standards. The IFRS Foundation could help accelerate this even further given its reach and credibility.

Question 2: Is the development of a sustainability standards board (SSB) to operate under the governance structure of the IFRS Foundation an appropriate approach to achieving further consistency and global comparability in sustainable reporting?

BCI does believe that the proposed solution presented by the IFRS Foundation is a good one provided the requirements for success are achieved (see Question #3). The IFRS Foundation has the global reach, experience with standard-setting and due process that are necessary to advance this work in a meaningful way.

However, we encourage the IFRS Foundation to not start from scratch and to pursue industry specific standards. This is a crucial point from our perspective as IFRS has traditionally been more principles-based rather than a prescriptive standard-setter. An SSB that develops high level, principles-based disclosure requirements will not be a successful approach as it will not add much to the current frameworks and only introduce further confusion to the landscape of ESG reporting initiatives.

Question 3: Do you have any comment or suggested additions on the requirements for success as listed in paragraph 31 (including on the requirements for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

We agree with all of the requirements for success identified in paragraph 31 of the Paper. Specifically on the adequacy of the governance, we would make an additional point of ensuring that investors are represented on the SSB and potentially on the IFRS Foundation Board of Trustees. It is crucial to have the user experience represented in the governance structure and current investor representation appears to be low.

BCI would add an additional requirement for success that relates to the pace at which this undertaking can advance. It is our view that if the IFRS Foundation initiative cannot move rapidly, it will become irrelevant. Regulators in various parts of the world are moving quickly on ESG disclosure. The European Commission is expected to overhaul the Non-Financial Reporting Directive in March 2021 as one example. In our home market, the Ontario Capital Markets Modernization Taskforce consulted earlier this year on whether SASB and TCFD should be mandated. A final report from this taskforce is expected in the coming weeks.

If the IFRS does not actively seek solutions to the traditional prolonged standard-setting process, it will miss the window of opportunity to define a global standard. We elaborate on some possible solutions to this in the remainder of this comment letter.

Question 4: Could the IFRS Foundation use its relationships with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

The IFRS Foundation brings global credibility to the landscape of sustainability reporting and can be a key enabler with stakeholders around the globe, particularly with regulators. With IFRS standards widely accepted in over 144 jurisdictions and the relationships that come with this reach, the organization can facilitate global acceptance and ultimately adoption of a common standard.

It will be crucial for the IFRS Foundation to have support from various stakeholders before proceeding down this path to assist with ultimate adoption, even within markets where IFRS is not mandated. Having the IFRS do this work will prevent fragmentation around the world as the SSB standards could be used as a baseline especially in jurisdictions that are beginning to support an evolution of the traditional notion of materiality.

BCI fears that an approach based on double materiality (going beyond traditional financial materiality) that is not focused on investors as the primary user of this information, will not get the global adoption envisioned. This does not prevent some jurisdictions from going further if that is suitable in their market but a common baseline is still required and the work of the SSB could serve as that baseline.

Question 5: How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve global consistency?

BCI is encouraged to see the IFRS Foundation recognize the importance of building on existing initiatives focused on sustainability reporting. We have watched several initiatives over the years stating their intention to not create something new and build on what already exists, only to end up building something new and adding confusion to an already crowded space. We strongly caution the IFRS Foundation to not let this happen if you embark on this work.

Beginning with those organizations that have expertise in a sophisticated standard-setting process focused on the needs of investors could be helpful in this regard. SASB already has a standards board in place that could be leveraged for the formation of the SSB under the IFRS Foundation. This would go a long way in ‘fast tracking’ the process.

Question 6: How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to achieve a global solution for consistent sustainable reporting?

While various jurisdictional initiatives have been emerging across the globe, we still see a need for a consistent baseline standard that meets the needs of all markets. It is clear that some jurisdictions will want to go further, a situation that is inevitable, so we see a role for the IFRS Foundation to determine what a baseline standard is within the context of such diverse jurisdictional initiatives. This can be viewed as a building block for jurisdictions to add to depending on their unique market characteristics.

Consulting and working with various regulatory bodies and IOSCO will be key to secure early buy-in for a building block approach rather than a one-size fits all approach.

Question 7: If the IFRS Foundation were to establish an SSB, should it initially develop climate-related financial disclosures before potentially broadening its remit into other areas of sustainability reporting?

BCI does not view a climate-related approach at the outset, to be an ideal solution. When making investment decisions, we are considering all material issues for a particular company based on the industry it operates in. We cannot make such investment decisions based only on climate-related information, especially if a company is operating in a sector where climate may not be a top material issue. A climate first approach will only delay a globally applicable set of industry specific standards that investors are asking for.

We would note an observation of higher levels of disclosure in sectors where climate is a material risk. Generally speaking, the utilities, energy and materials sectors have some of the most advanced reporting on climate-related issues and ESG more broadly. In contrast, when we seek disclosure on human capital issues, we find serious and persistent gaps. That is not to say that climate disclosure has been perfected, but we have observed a vast improvement in this area over the last five to ten years.

If the IFRS Foundation were building something from scratch, a climate-first approach might be more relevant. However, we would note that SASB has spent the last ten years developing standards for 77 different industries. Not building on these as a starting point, would be a missed opportunity in our view and could end up building something new of limited value and adding confusion to an already crowded space.

Question 8: Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

It is our view that the IFRS Foundation should not pursue an environmental focus at the expense of getting investors the material information they require on a variety of ESG risks. These will depend on a company's industry and climate change is not always a key material risk for all industries.

Question 9: Do you agree with the proposed approach to materiality in paragraph 50 that could be taken by the SSB?

BCI does agree with this approach for several reasons. It is consistent with the current mandate of the IFRS Foundation and maintains the focus on capital market participants as the primary users of this reporting. It is our view that companies cannot serve all stakeholders with one form of sustainability reporting. Investors have unique needs and perspectives as do other stakeholders with different needs and intentions.

Expanding the definition of materiality to one focused on a broader group of stakeholders will only delay the task ahead in our view and limit the ultimate adoption of a global standard. Very few jurisdictions at this point utilize a broad definition of materiality in corporate reporting so to increase the probability of acceptance and adoption, materiality should be focused on investors. If the SSB wants to evolve this over time as more jurisdictions embrace a double materiality lens, this would seem reasonable and more achievable.

Question 10: Should the sustainability information to be disclosed be auditable or subject to external assurance? If not, what different types of assurance would be acceptable for the information to be disclosed to be reliable and decision-useful?

BCI does support assurance for sustainability data at some level. At the same time, we recognize that this is a process for companies and not something we can expect immediately. Companies need time to establish systems and controls for collecting this data and these will evolve as the world of sustainability reporting also evolves. Data that is not currently audited or subject to assurance is still useful in our decision-making process but assurance provides an added level of credibility and confidence. While we ultimately support a model with assurance built in, we accept that this might need to be gradually introduced.