December 11, 2020

IFRS Foundation Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf, London E14 4HD
United Kingdom
commentletters@ifrs.org

Dear IFRS Foundation Trustees,

Re: IFRS Foundation Consultation Paper on Sustainability Reporting

We thank you for the opportunity to provide feedback on the IFRS Foundation's Consultation Paper on Sustainability Reporting (the Consultation Paper).

CCGG's members are Canadian Institutional investors that together manage approximately $4.5 trillion in assets on behalf of pension fund contributors, mutual fund unit holders, and other institutional and individual investors. CCGG promotes good governance practices in Canadian public companies, as well as regulatory improvements to best align the interests of boards and management with those of their investors and to increase the efficiency and effectiveness of the Canadian capital markets. A list of our members is attached to this submission.

General Comments

CCGG welcomes the IFRS Foundation's proposal to establish a Sustainability Standards Board (the SSB). Clear, comparable, and consistent global sustainability standards are required by investors for decision-making.

CCGG's Response to Consultation Questions

Q1: Is there a need for a global set of internationally recognised sustainability reporting standards?

YES. CCGG believes there is a need for a global set of internationally recognised sustainability reporting standards.

(a) If yes, should the IFRS Foundation play a role in setting these standards and expand its standard-setting activities into this area?

YES. CCGG supports the IFRS playing a role in setting these standards and expanding its standard-setting activities into this area.

(b) If not, what approach should be adopted?

NA

Q2: 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 sustainability reporting?

YES. A globally recognized SSB under the governance of the IFRS is appropriate to achieve further consistency and global comparability in sustainability reporting.

We agree that IFRS is well positioned to drive consistency in sustainability reporting, over time, given the IFRS's existing global standard setting expertise, structure and relationships with international governments, regulators, and standard-setters. We also agree that, as proposed in paragraph 25 of the Consultation Paper, establishing an SSB within the institutional and governance structure of the IFRS Foundation such that there is a coherence and connection to financial reporting standards is appropriate. Developing sustainability reporting standards alongside financial reporting standards makes intuitive sense given that sustainability issues initially considered non-financial can become materially financial over time.

Achieving further consistency and global comparability in sustainability reporting will also require on-going co-operation and collaboration with existing global and regional initiatives, given that sustainability is a constantly evolving area and new issues continue to emerge.

In addition to such collaboration, the investor perspective must also be highlighted and integrated into the development of the SSB, its governance and the reporting standards, with the goal of providing consistent, comparable, decision-useful information to investors (similar to the underlying objectives behind SASB and the TCFD); this user focus must be preserved by the SSB.

Q3: Do you have any comment or suggested additions on the requirements of success as listed in paragraph 31 (including on the level for achieving a sufficient level of funding and achieving the appropriate level of technical expertise)?

YES. We recommend the following additions be made to the first requirement of success listed in paragraph 31 (set out below):

(a) Achieving a sufficient level of global support from public authorities, global regulators and market stakeholders, including investors and preparers, in key markets.

The IFRS should consider providing clarity as to what it considers a "sufficient level of global support". This is important to confirm the level of global support the IFRS is seeking, prior to making its decision with respect to moving forward on its proposal (e.g., Majority? Consensus? Unanimity?

And from which stakeholders?). For the reasons further set out below, it is imperative that the proposed SSB has a high enough level of support, in particular from users such as investors, that IFRS does not inadvertently establish yet another competing standard or framework for sustainability disclosure.

In addition, the IFRS should consider adding a reference to achieving support and co-operation from the members of the other existing leading global sustainability initiatives that have recently partnered, for example the Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB), the International Integrated Reporting Council and the Climate Disclosure Project (CDP), as well as the Financial Stability Board's Task Force on Climate Related Financial Disclosure (TCFD)[1]. IFRS indicates that it has established relationships with all of these initiatives.

As noted by the IFRS, some jurisdictions are already mandating disclosures aligned with one or more of these voluntary global standards, or view them as good models for environmental, social and governance disclosures. In Canada for example, the Canadian Securities Administrators issued supplementary guidance in 2019 on the reporting of climate change related risks which incorporates concepts from both TCFD and SASB (while not formally endorsing either)[2]. In Ontario, Canada's largest capital market, a Taskforce appointed by the government has proposed a recommendation for the regulator to require environmental, social and governance ("ESG") disclosures aligned with TCFD and SASB[3].

CCGG has also recently indicated its public support for TCFD and includes reference to CDP, SASB and GRI as credible standard-setting organizations who help companies inform clear, objective, relevant and comparable measures in its The Directors E&S Guidebook (the "Guidebook").

In order not to lose institutional expertise and momentum or create further dilution around frameworks and standards that may already be integrated into company, regulatory or investor processes and disclosure requirements, it is important that the IFRS collaborates with existing initiatives and builds on what is already being done. This is especially important where investors, as primary users of the information, have indicated support for such initiatives and/or have begun to integrate them into their own decision-making.

Q4: Could the IFRS use its relationship with stakeholders to aid the adoption and consistent application of SSB standards globally? If so, under what conditions?

YES. IFRS could work with stakeholders to align behind existing initiatives that have achieved a degree of credibility, momentum and integration into existing company, regulatory investor

[1] E.g., CDP, CDSB, GRI, IIRC & SASB, Statement of Intent to Work Together Towards Comprehensive Corporate Reporting, September 2020; and also see announcement of merger of IIRC and SASB to create the Value Reporting Foundation at SASB and IIRC Joint Press Release, *IIRC and SASB announce intent to merge in major step towards simplifying the corporate reporting system*, 25 November 2020.
[2] Canadian Securities Administrators, CSA Staff Notice 51-358 Reporting of Climate Change-related Risks, August 1, 2019.
[3] See recommendations of the Ontario Capital Markets Modernization Taskforce at Capital Markets Modernization Taskforce Consultation Report, July 2020 (Ontario) at 27.

disclosure and processes for an interim period until an SSB can be established and deliver a sustainability reporting standard. This would prevent further dilution of the sustainability reporting ecosystem with the introduction of new voluntary frameworks and/or initiatives.

Q5: How could the IFRS Foundation best build upon and work with the existing initiatives in sustainability reporting to achieve further global consistency?

CCGG's Guidebook highlights how initiatives such as the TCFD framework, which although developed as an approach to climate change, has applicability across material business risks because of the structure of its organizing principles which focus on governance, strategy, risk management and metrics/targets. As noted in the Guidebook: "these business pillars are fairly universal and consistent with CCGG's focus on formulating our recommendations to help boards define and focus their E&S approach".

In our view, the current landscape of existing voluntary initiatives are complementary to one another and overlapping in many respects and provide a good foundation for the development of a global sustainability reporting standard[4].

We reiterate that the IFRS should not be approaching the SSB or the development of sustainability reporting standards from first principles. It should be mindful of global momentum, particularly in the investor community, which is aligning behind leading voluntary frameworks and standards (for example, growing institutional investor support for SASB and in the context of disclosure, the TCFD framework). IFRS should be seeking to leverage this existing work as the foundation for its global reporting standard.

Q6: How could the IFRS Foundation best build upon and work with the existing jurisdictional initiatives to find a global solution for consistent sustainability reporting?

See answers for Q4 and Q5.

Q7: If the IFRS Foundation were to establish an SSB, should it initially develop climate related financial disclosures before potentially broadening its remit to other areas of sustainability reporting?

In 2020, CCGG publicly supported the TCFD on the basis that its Members believe that climate change related risks can be material financial risks with long-term implications for the financial health of Canadians and that in order to access the information required to adequately assess and understand the financial risks and opportunities posed by climate change, investors require consistent, transparent and comparable disclosures.

While recognizing the systemic nature of climate change and the corresponding universal nature of its implications for companies and investors, we do not think it should be the focus of a sustainability

[4] For an illustration of how we understand that GRI, CDP and SASB can work together when organized under TCFD's four pillars of governance, strategy, risk management and metrics and target see Appendix 1 of CCGG's The Directors E&S Guidebook, May 2018 at 26.

reporting standard to the exclusion of working toward identifying other core disclosures that are material and relevant to all or almost all companies such as diversity, employee health and well-being practices and cybersecurity[5]. An initial focus on climate-related disclosures only risks creating yet another climate-related disclosure framework, rather than a standard anchored in the consistent and comparable integration of ESG considerations into reporting.

Q8: Should an SSB have a focused definition of climate-related risks or consider broader environmental factors?

The SSB should consider broader environmental factors in lieu of a focused definition of climate-related risks.

Data analytical capacity and understanding with respect to the interconnected nature of the risks related to climate-change are constantly evolving and include energy system risks, extreme and variable weather events, and changing consumer behaviour[6]. Climate change is a systemic risk therefore a prescriptive definition of climate-related risks focused on climate-change impacts and greenhouse gas emissions may be too narrow.

We would point the IFRS to the existing definitional framework established by TCFD which characterizes climate-related risks in the context of both physical and transition risks, as a widely used, good model for a flexible definition of climate-related risks.

Q9: Do you agree with the proposed approach to materiality in paragraph 50 of the consultation paper that could be taken by the SSB?

We agree with the proposed approach to materiality in paragraph 50. We also agree with the following comment made in paragraph 49 of the consultation: "Moreover, it must be recognized that disclosures that focus on a company's impact on the environment are becoming increasingly important to the investor audience (see the TCFD's recommended disclosure on GHG Emissions), because there is a connection between a company's impact on the environment and the risks and opportunities for that company. Such disclosure is increasingly important for investors to understand a company's long-term value creation as well as its impacts on the climate".

We note that ESG disclosures with respect to non-environmentally related matters also have the potential to be material to investors in this context, highlighting diversity and reputational risks arising on the "S" side of the ESG equation as being particularly relevant to investors (recent examples of such "S" issues include how companies have treated employees, suppliers or customers during the global COVID-19 pandemic and responses to international anti-discrimination protests).

Additionally, we support a sustainability reporting standard that includes the disclosure of the process the board and management undertake when identifying, assessing and managing the ESG

[5] Ibid., at 4; also see Eumedion Corporate Governance Forum, Position Paper: *"Towards a global, investor focused standard setter for corporate non-financial reporting*", 6 July 2020 at 3.
[6] Guidebook, Ibid.

risks and opportunities for a company[7]. Therefore, we recommend that the methodology underlying the materiality assessment and its outcomes should form part of the narrative required by the SSB.

Q10: Should the sustainability information to be disclosed be auditable or subject to external assurances? If not, what different types of assurance would be acceptable for the information disclosed to be reliable and decision-useful?

YES. Unlike financial disclosures, not all sustainability information will be quantifiable, and at least initially, much may be qualitative and necessarily rely on company narratives. While recognizing the challenges involved we do believe that sustainability information (both quantifiable and qualitative) should strive towards becoming either auditable, where feasible, or subject to reasonable external assurance.

Q11: Stakeholders are welcome to raise any other comment or relevant matters for our consideration.

CCGG is of the view that the IFRS will need to establish and communicate a reasonable yet ambitious time frame to create the SSB and to start setting standards, supported by a clear plan to meet the timeline.

In addition, we have identified a number of questions related to contextual issues and challenges with respect to how the SSB would be actualized and operate which our Members are actively engaged in thinking through. These include, by way of example:

- Questions as to whether the proposed sustainability standard would be voluntary or mandatory or phased in over time;
- Questions of timing, both to establish the SSB and the ability to establish standards in a rapidly evolving area, given the time IFRS has historically taken to achieve agreement on accounting standards;
- Concern that while the IFRS has experience setting global financial standards using a principles-based approach, with respect to sustainability standards, investors will require a degree of prescription in order for the standards to provide decision-useful information. Consideration will need to be given when establishing the SSB and its governance structure, as well as its mandate and scope, as to how sustainability standards can be principled at the global level and also include an appropriate level of prescription at the regional, industry and sector level in order to provide clarity to the market and be decision-useful to investors.

CCGG appreciates that the landscape around regulatory and voluntary sustainability standard setting initiatives is highly dynamic and constantly evolving as efforts by regulators, investors, and companies to coalesce around a set of accepted norms continues to drive consolidation. We

[7] CCGG comment in response to the Ontario Capital Markets Modernization Taskforce Consultation Report, Re: Consultation – Modernizing Ontario's Capital Markets, September 7, 2020 at 28.

further appreciate that this is a highly complex undertaking and that it will take significant time and collaboration to bring to fruition. We recognize that this consultation is the beginning of a long road.

As we have seen to date, however, an absence of demonstrated progress will perpetuate the current situation which has led to the creation of a diverse array of global, regional, regulatory and voluntary standard setting initiatives which does not facilitate the consistent, comparable and decision useful information that investors, as primary users of sustainability standards, require. We are hopeful that the IFRS Foundation will receive sufficient support, particularly from the investor community, to proceed with this initiative.

Conclusion

We thank you again for the opportunity to provide you with our comments. Please do not hesitate to contact our Executive Director, Catherine McCall, at cmccall@ccgg.ca or our Director of Policy Development, Sarah Neville at sneville@ccgg.ca if you would like to discuss the matters in this letter further or if we can be of any assistance.

Yours truly,

Marcia Moffat
Chair, Canadian Coalition for Good Governance

CCGG MEMBERS 2020

- Alberta Investment Management Corporation (AIMCo)
- Alberta Teachers' Retirement Fund (ATRF)
- Archdiocese of Toronto
- Aviva Investors Canada Inc.
- BlackRock Asset Management Canada Limited
- BMO Global Asset Management Inc.
- Burgundy Asset Management Ltd.
- Caisse de dépot et placement du Québec
- Canada Pension Plan Investment Board (CPPIB)
- Canada Post Corporation Registered Pension Plan
- CIBC Asset Management Inc.
- Colleges of Applied Arts and Technology Pension Plan (CAAT)
- Connor, Clark & Lunn Investment Management Ltd.
- Desjardins Global Asset Management
- Fiera Capital Corporation
- Forthlane Partners Inc.
- Fondation Lucie et André Chagnon
- Franklin Templeton Investments Corp.
- Galibier Capital Management Ltd.
- Healthcare of Ontario Pension Plan (HOOPP)
- Hillsdale Investment Management Inc.
- IGM Financial Inc.
- Investment Management Corporation of Ontario (IMCO)
- Industrial Alliance Investment Management Inc.
- Jarislowsky Fraser Limited
- Leith Wheeler Investment Counsel Ltd.
- Letko, Brousseau & Associates Inc.
- Lincluden Investment Management Limited
- Manulife Investment Management Limited
- NAV Canada Pension Plan
- Northwest & Ethical Investments L.P. (NEI Investments)
- Ontario Municipal Employee Retirement System (OMERS)
- Ontario Teachers' Pension Plan (OTPP)
- OPSEU Pension Trust
- PCJ Investment Counsel Ltd.
- Pension Plan of the United Church of Canada Pension Fund
- Public Sector Pension Investment Board (PSP Investments)
- QV Investors Inc.
- RBC Global Asset Management Inc.
- Régimes de retraite de la Société de transport de Montréal (STM)
- RPIA
- Scotia Global Asset Management
- Sionna Investment Managers Inc.
- SLC Management Canada
- State Street Global Advisors, Ltd. (SSgA)
- Summerhill Capital Management Inc.
- TD Asset Management Inc.
- Teachers’ Pension Plan Corporation of Newfoundland and Labrador
- Teachers' Retirement Allowances Fund
- UBC Investment Management Trust Inc.
- University of Toronto Asset Management Corporation (UTAM)
- Vestcor Inc.
- Workers' Compensation Board - Alberta
- York University Pension Fund