NEI

December 24, 2020

Erkki Liikanen, Chair of the IFRS Foundation Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD
United Kingdom

Re: NEI Investments' Submissions on the IFRS Foundation Consultation Paper on Sustainability Reporting

Dear Mr. Liikanen,

With approximately C$8 billion in assets under management, NEI Investments' approach to investing incorporates the thesis that companies can mitigate risk and take advantage of emerging business opportunities by integrating best environmental, social and governance (ESG) practices into their strategies and operations. With this context in mind, we commend the Trustees of the IFRS Foundation for engaging a broad spectrum of stakeholders to identify the demand from stakeholders with respect to sustainability reporting, and to better understand whether there is a role for the IFRS Foundation to play in response to that demand.

We write to share our thoughts on the Foundation's *Consultation Paper on Sustainability Reporting (Consultation Paper)*. Our responses to the questions noted in the Consultation Paper are detailed below.

Question 1

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

Yes, there is a need for a global set of internationally recognized sustainability reporting standards. Stakeholders could benefit immensely from decreased complexity and increased consistency. The current landscape of various frameworks and standards can be difficult for a range of stakeholders to navigate – including businesses and investors. From our perspective as investors, inconsistency in disclosure across companies and sectors, on a variety of ESG issues, is a pressing issue. It is difficult for investors to effectively evaluate companies on ESG issues without comparable disclosures. That being said, much work has been done to date to develop frameworks and standards that are nuanced, thoughtful, and that can adapt to the realities of different companies in different regions of the world. As a result, we also believe, as has been noted in the Consultation Paper, that there is much existing work that can and should be leveraged to create more consistent sustainability reporting.

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We commend the IFRS Foundation for considering how it could assist in efforts to foster consistency in sustainability reporting. We agree that there is a valuable role for the IFRS Foundation to play in facilitating a move to consistency. We believe that role is centred on what the Consultation Paper defines as the second option (para. 22) – to facilitate existing initiatives. The Foundation, with its expansive global network and experience in facilitating consistent financial reporting is uniquely positioned to promote cohesion in this space – by drawing on and bolstering the work of existing initiatives. This is work that could leverage the Foundation's existing expertise. We are however concerned that the proposed option of creating a Sustainability Standards Board (SSB) could inadvertently lead to further fragmentation, and could duplicate, or potentially muddy the efforts that have already been undertaken by existing initiatives such as: the Task Force on Climate-related Financial Disclosures (TCFD), Sustainability Accounting Standards Board (SASB), the Global Reporting Initiative (GRI), the Climate Disclosure Standards Board (CDSB) and the Climate Disclosure Project (CDP). We would echo the concerns raised by stakeholders as noted in the Consultation Paper (para. 32) that introducing the Foundation as a standard setter could "put at risk the current momentum created by other frameworks and standard-setting bodies". We believe there is great potential for the IFRS Foundation to have much impact in facilitating consistency among existing initiatives, and this work may not require the development of a SSB for the purpose of itself becoming a standard-setter.

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 sustainability reporting?

Though as noted, we believe there is a unique opportunity for the Foundation to provide much value under the second option highlighted in the Consultation Paper, if the proposed SSB is to move forward, we believe that there is merit to the suggested governance approach. Given the additional technical expertise that the Foundation would need to successfully implement the mandate of the SSB, we support the approach of an SSB that is parallel to, but separate from, the IASB. Under this approach we underscore the importance of technical expertise with respect to ESG issues and sustainability reporting for the trustees, SSB members and staff. A successful approach to sustainability reporting will necessitate a conceptual framework that allows for consistency but also provides for and adapts to the realities of how ESG risks and issues will be considered by companies across different sectors and jurisdictions. The technical expertise among the trustees, SSB and its staff, must speak to an understanding of this nuance in order for the SSB and any resulting approach to global sustainability reporting to be effective.

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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)?

If implemented, it is critical that the SSB leverages the immense amount of well-recognized, existing work by entities such as the TCFD, SASB, GRI, CDSB and CDP. A duplication of the work that has already been done to date could unnecessarily delay the process towards consistency. Duplication could also lead to further fragmentation in sustainability reporting standards if the ultimate approach adds to the number of existing frameworks and standards, instead of fostering cohesion amongst the existing initiatives.

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 is well equipped to leverage its global and regional relationships to ensure consistency in sustainability reporting, whether this is through the work of the proposed SSB or instead through facilitating consistency through existing initiatives. We believe this is one of the most effective avenues for the Foundation to contribute towards consistency. Given the Foundation's global reach, the Foundation could foster cohesion among global entities. The Foundation could also readily access and benefit from a broad range of stakeholder insights, much as has been done through this consultation, to inform its work in fostering sustainability frameworks that are consistent in global application, but that can be readily adapted to local contexts in different jurisdictions.

Question 5

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

The IFRS Foundation is well positioned to encourage standardization of the work that has been done by existing initiatives. This would allow the Foundation to leverage its strength – as an entity that can ensure global consistent reporting.

Question 6

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

The Foundation could facilitate a move towards a conceptual framework that provides for a consistent global approach, but allows for adaptability to the contexts of companies operating in different jurisdictions.

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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?

We acknowledge the reasoning behind initially focusing on climate-related financial disclosures, given the work that has been done on this issue, the involvement of the IASB as a member of the FSB, and the fact that the Foundation could move forward with such disclosures most expediently. We are concerned however about the risk that an initial focus on climate-related financial disclosures may detract from discussions around the interrelatedness of environmental issues, and the greater level of systems change required to address climate change and broader sustainability issues. We are also concerned that an initial focus on climate-related financial disclosures could imply that there is less urgency surrounding other environmental, and other social and governance issues. We would caution the would be SSB about any unintended negative impacts that could result if there is a perception that other sustainability reporting issues are less pressing, especially given the varying realities of how sustainability issues are exhibited across various sectors and geographies. If the SSB were to move forward with climate-related financial disclosures initially, it will have to be very clear about the mandate of the SSB and any intentions and timelines in place to broaden its remit into other areas of sustainability reporting.

Question 8

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

As a responsible investor, we emphasize the urgency and importance of a broad range of environmental risks and factors, including climate-change. We also note that how sustainability issues are exhibited may vary based on the sector and geography specific contexts of different companies. As such, we are in support of an approach that considers sustainability issues more broadly. If the SSB moves forward with only considering climate-related risks, the mandate of the SSB should be clear. Any focus on climate-related risks by the SSB should not detract from the interconnectedness and importance of all sustainability and ESG issues.

Question 9

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

Double materiality should be emphasized from the start. Double materiality is tantamount to our assessment and evaluation of ESG issues. We acknowledge that IFRS standards to date have been focused on financial materiality. As such financial materiality readily falls within the expertise of the Foundation. For this reason, we underscore the need for additional technical expertise if the Foundation moves forward with the SSB. Further, if the SSB is successful in leveraging pre-existing work, that should assist in streamlining the process of developing a double materiality approach. We are deeply concerned that a gradual approach with an initial focus on materiality, could lessen the perceived importance of double

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materiality. If that concern is materialized, this could greatly harm efforts advocating for a broad stakeholder centric approach by business to ESG issues more broadly.

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 disclosed to be reliable and decision-useful?

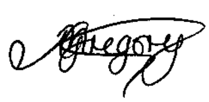
External assurance is indeed important and would assist investors in evaluating disclosures. Information should be auditable and verifiable. We acknowledge that external assurance of qualitative sustainability-related disclosure requirements could differ from external assurance for quantitative disclosures. For example, it may be necessary to provide more contextual information on the steps taken to verify the qualitative data. This could include a consideration of whether and to what extent stakeholders were consulted in assessing or addressing any identified risks. External assurance could be performed by a broader group of independent third parties, including but not limited to audit firms, given that under a double materiality approach (as we advocate for) disclosures would not be solely defined by the financial impact on the company.

Question 11

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

Again, we would like to commend the IFRS Foundation for its willingness to take steps to improve the consistency of global sustainability reporting. We encourage the Foundation to consider the immense contribution it could make by facilitating the work of existing initiatives as proposed under the second option in the Consultation Paper. We appreciate the opportunity to share our viewpoints and remain open to engaging with the IFRS Foundation on any of the issues we have raised in our commentary.

Sincerely,
NEI Investments



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