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To the Trustees of the IFRS Foundation,

Thank you for the opportunity to comment on the consultation paper regarding sustainability reporting and the role of IFRS.

The Global Risk Institute in Financial Services is a member services organization founded by the public and private sectors in Canada. Our members include Canadian pension funds, banks, insurers, financial Crown corporations and Provincial and Federal governing bodies. We are the premier thought leadership organization in risk management for the financial industry. We bring together leaders from industry, academia, and government to draw actionable insights on emerging risks.

Our interest in sustainability reporting standards is to support the needs of financial services firms who are both report preparers and data users. Key concerns among our report preparing members are the burden and complexity of multiple frameworks, growing demand for specific information by investors, fast moving ESG analytics and ratings, and a patchwork of international regulation on sustainability reporting that is inefficient. From the perspective of investors and lenders, there is high demand for decision useful ESG and sustainability-related financial risk information from portfolio firms.

We are submitting this response to the IFRS Consultation Paper on Sustainability Reporting after several dialogues with our member base of financial firms and related stakeholders, and offer the below commentary as our understanding of the sentiment of the Canadian financial sector broadly speaking.

ROLE OF IFRS AND EXISTING SUSTAINABILITY REPORTING FRAMEWORKS

The Global Risk Institute welcomes an initiative to lead the development of an internationally harmonized sustainability reporting framework:

- *Need* - There is a recognized need from the financial industry and its stakeholders regarding the criticality of a globally consistent and comparable sustainability reporting standard.
- *Role* - As a highly-recognized standard-setting body, the IFRS Foundation has the credibility to drive global-level adoption and the potential for making sustainability reporting mandatory.
- *Standardization* - Mandatory reporting would help improve the efficiency of financial markets by providing standardized, timely and comparable information about climate and other sustainability risks.

If IFRS forms the Sustainability Standards Board (SSB) it should be done so with the following aims:

- *Clarity over complexity* - with the proliferation of voluntary frameworks and proprietary data services, companies now face ever-increasing cost and complexity surrounding sustainability reporting. The SSB should bring clarity to sustainability reporting by incorporating existing frameworks and practices, building on the knowledge base built up over the last decades by the voluntary standard setters, and avoid adding an extra layer of reporting burden.

- *Talent* – IFRS should bring in the expertise and sustainability talent it needs to develop reporting standards in this field.
- *Stakeholder consultation* – we encourage the IFRS Foundation to proactively engage with appropriate stakeholders to be inclusive of the public's interest.
- *Time is of the essence* – the IFRS Foundation should ensure the SSB undertakes its work swiftly in terms of development and execution. To speed up the progress of development, IFRS should leverage existing work from other initiatives.
- *Coherence with financial reporting* – A major contribution would be to clarify the scope and relationship of sustainability reporting and financial reporting – today these largely exist in different spheres. There is widespread recognition that sustainability is of interest to financial markets and these need to be aligned.

CLIMATE FIRST APPROACH

It is practical and reasonable to adopt a climate-first approach to allow for short term and tangible progress, with the understanding that climate is the most pressing issue and existing reporting frameworks are advanced relative to other sustainability issues.

But the following caveats should be recognized from the outset:

- *A holistic vision* **-** It is critical to set the agenda for other aspects of sustainability issues from the very beginning even if work is not undertaken in the immediate term.
- *Climate scope should be defined* **-**The SSB should clarify what the scope of climate change reporting standards will be, and include diverse stakeholder inputs.

MATERIALITY DEFINITION

It is recognized that IFRS would take investor-focused materiality as its starting point. IFRS should expand this concept appropriately to reflect the complexities of sustainability risks and impacts. Credible and usable measurements and metrics will stem from the definition of financial materiality of sustainability issues.

- *Double materiality* - or similar concept, should be considered to ensure that reporting allows for the disclosure of the financial risks from environment, social, and governance issues, as well as the impact the organization might have on the environment, society and economy. The 'inside out' and 'outside in' materiality approaches are becoming more closely interrelated as value gained or lost related to performance on these issues is better understood.
- *Stakeholders and shareholders* - Although an investor-focused materiality definition may be the starting point, there needs to be some mechanism that other perspectives be considered, such as employees, communities and regulators, among others, due to the nature of sustainability issues.

OTHER COMMENTS

- Industry specific standards should be considered.
- Exclusion of the United States does pose some concern to the comparability and alignment objective of the IFRS sustainability reporting proposal; therefore, it would be beneficial to engage with the Financial Accounting Standards Board to see if alignment could be achieved with the Generally Accepted Accounting Principles.

Sincerely,

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