

July 27, 2021

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's Proposed Amendments to the IFRS Constitution

Dear Mr. Liikanen,

With approximately C\$9 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 (Foundation) for having sought to engage a broad spectrum of stakeholders over its process in determining whether the IFRS Foundation should play a role in response to the ongoing demand for comparable and consistent sustainability reporting.

We write to share our thoughts on the Foundation's *Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards (Exposure Draft)*. Our response is in relation to Questions 1 and Question 4

Question 1(b) – The need for diverse sustainability experience on the International Sustainability Standards Board (ISSB) and throughout the other arms of the Foundation

We agree that the proposed amendments generally reflect the new strategic direction of the Foundation, with the addition of the International Sustainability Standards Board (ISSB), except for a lack of explicit reference to the need for diverse representation on the board. Notably, we appreciate that the Foundation has flagged the need throughout this Exposure Draft for sustainability acumen on the ISSB. We echo the need for an ISSB with adequate sustainability expertise, and for decisions on membership to be made considering the optimal composition of expertise across the board, with explicit consideration of sustainability acumen. The Annex, detailing the criteria for ISSB members, makes this particularly clear.

That being said, we note that there is no mention of the need for diverse representation and perspectives on the board, outside of geographic diversity (which we discuss below with respect to question 4). We are concerned that the ISSB, which is to be well attuned to global sustainability issues, would be limited if it does not intentionally represent the voices of all persons, especially those who are typically underrepresented in the discourse on global sustainability issues. We believe the ISSB would benefit from being informed by diverse professional and lived perspectives on the causes and impacts of sustainability issues, particularly as the Foundation considers expanding its mandate from climate change to broader sustainability issues that are undeniably interconnected with economic and social considerations.

Moreover, the research on the value of diversity in the corporate world is definitive – diverse boards lead to better outcomes than non-diverse boards. Considering the degree to which the world of ESG-investing has embraced this fact it would be an oversight in the extreme to not have an explicit diversity mandate for the ISSB.

We would also encourage the board to consider whether the other arms of the Foundation would benefit from a more direct requirement of sustainability expertise, in order to better complement or support the work of the ISSB:

- Monitoring Board – We recognize that the role of the Monitoring Board will not change with the addition of the ISSB. We note the Exposure Draft has flagged that the organizations represented on the Monitoring Board intend to extend their work into sustainability issues. We believe the objectives of the ISSB and the Foundation would be well served in the constitution by ensuring that sustainability perspectives are explicitly sought out (perhaps through mention in section 21) by these organizations in their capacity on the Monitoring Board.
- The Trustees – We note that the constitution already calls for a breadth of professional backgrounds in relation to the mandate of the IASB, and now the ISSB. In section 6 there is explicit reference to the need for Trustees to be ‘financially knowledgeable’ and for consultation with ‘the accounting and audit profession’ to take place in selecting Trustees in section 7. Given the addition of the ISSB, we believe the constitution would benefit from explicit reference to the need for consideration of sustainability expertise in determining the optimal composition of the Trustees. Similarly, we also believe that consultation with respected sustainability organizations in the selection process for Trustees would be appropriate going forward. We would also encourage the Foundation to consider how the composition of Trustees represents and gives voice to population groups that have typically been excluded from global sustainability initiatives. These perspectives are important in any discourse on the applicability and use of corporate disclosures on sustainability issues.
- Advisory Council – We believe explicit recognition of sustainability experience could be detailed in the discussion on the Advisory Council’s expertise in section 57. We note the amendment from “financial reporting” to “corporate reporting” but believe that at this stage, skills that speak to sustainability corporate reporting cannot be assumed or considered implied within the broader discourse on skills in relation to “corporate reporting”.

Question 4: Geographic diversity of ISSB members is necessary to ensure diverse insights on global sustainability issues.

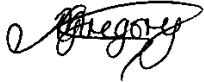
We note that with its long history of international financial reporting the Foundation has built a respected reputation as a global accounting standard setter. Given the sustainability focus of the ISSB, and the broader considerations of materiality – which we believe is defined by considering both impacts on the enterprise, and those *impacted by* enterprise – we would encourage the Foundation to consider whether the current geographic breakdown of membership as presented in section 45 would allow for the required perspectives of emerging markets to be adequately represented. We do not have a firm recommendation

on what an appropriate geographic breakdown should look like, but only seek to emphasize the need for robust consideration of global perspectives, in discourse on global sustainability issues.

We again would like to thank the Foundation for the opportunity to comment on the Exposure Draft and remain open to engaging with the IFRS Foundation on any of the issues we have raised in our commentary.

Sincerely,

NEI Investments

A handwritten signature in black ink, appearing to read 'Michela Gregory', written in a cursive style.

Michela Gregory

Director, ESG Services | mgregory@neiinvestments.com

cc:

Jamie Bonham, Director, Corporate Engagement, NEI Investments