



December 18, 2020

RE: IFRS Consultation – Sustainability Reporting

Via email: commentletters@ifrs.org

Dear IFRS Trustees,

Alberta Investment Management Corporation (AIMCo) welcomes this opportunity to provide commentary to the International Financial Reporting Standards (IFRS) Consultation Paper on Sustainability Reporting (herein after ‘the Consultation.’)

AIMCo is a Crown Corporation that invests \$119 billion on behalf of 32 clients, including Albertan pension plans, an endowment fund, and government funds. AIMCo is an active participant in global equity markets and regularly advocates for environmental, social and governance (ESG) best practices at companies across our portfolios. AIMCo supports the IFRS’ mandate to develop a single set of high-quality accounting standards, fostering transparency, accountability and efficiency to financial markets around the world.

As investors, we have a need for consistent, comparable, relevant, decision-useful data across global jurisdictions. Today 56 global stock exchanges have adopted some form of sustainability disclosure guidance, with 24 of these adopting listing requirements for sustainability reporting. This year, five sustainability standard setting institutions, namely, the Global Reporting Initiative (GRI), CDP (formerly the Carbon Disclosure Project), Climate Disclosure Standards Board (CDSB), International Integrated Reporting Council (IIRC) and Sustainability Accounting Standards Board (SASB) announced an intent to develop a joint sustainability reporting framework. These five entities stated their desire to work closely with the IFRS Foundation and the International Organization of Securities Commissions (IOSCO) to contribute to a more comprehensive global sustainability reporting system.

AIMCo supports recent announcements to harmonize ESG reporting to address the increasingly fragmented and busy ESG data disclosure landscape. Despite the abundance of sustainability reporting frameworks in existence there is a need to accelerate the emergence of comparable, material ESG data across jurisdictions, especially considering the urgency of climate change, a systemic risk.

The IFRS is a respected and established organization with extensive global reach and a large network experienced in reconciling multiple accounting standards into one international framework. As such, AIMCo believes there is a role for the IFRS to play in working with standard setting

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institutions such as SASB and TCFD to arrive at a comprehensive, inclusive and global sustainable financial framework that leverages existing standards.

In AIMCo's view, the development of a sustainability standards board (SSB) as proposed, under the existing three-tier governance structure of the IFRS should provide a solid foundation for the SSB. Given IFRS' history and experience with the development and promotion of accounting standards, it would be useful for IFRS to identify synergies where both financial and sustainability data offer material, decision-useful information sought by investors.

For any set of sustainability standards to be meaningful the standards body will require global buy-in. IFRS accounting standards are already present in 140 jurisdictions yet not all jurisdictions approach sustainability with the same lens. AIMCo believes that it will be important to ensure that the standards created are principles-based and consider both jurisdictional differences and different user needs, such as governments, central banks, regulators, investors and civil institutions. In countries where there is no established ESG framework, IFRS principles and precepts could act as the default standard and assist in driving global convergence on disclosure of material ESG information, such as carbon emissions and emissions intensity.

With respect to priority sequencing for climate first, AIMCo fully appreciates the complexity of the ESG landscape and the importance of climate risk and TCFD reporting. While SSB should employ the TCFD framework as a guide it must certainly recognize that climate change is a multi-faceted systemic risk that both impacts and is impacted by other ESG and financial risks. Climate change risks may be non-linear and unpredictable and virtually impossible to fully disaggregate. So too other fundamental risks such as social inequity or worker safety may be inherently linked to each other and to climate change vulnerability. AIMCo believes that it will be important to establish a broader sustainability framework that, from the outset, covers a wide range of ESG factors, including climate risk.

With regards to the approach to materiality as described, namely, to include consideration of the impact of the reporting entity's operations on the wider environment, AIMCo supports the IFRS proposal to commence with financial materiality before moving to consideration of double materiality. However, we caution that it is quite likely that there will be considerable overlap between the two concepts, especially for investors focused on risk-adjusted returns over the long run. Furthermore, the IFRS should consider that the impact of business operations on the environment and surrounding communities will be important to a wider group of stakeholders, surrounding communities, and likely to the firm's social license to operate.

As the world moves from voluntary reporting to mandatory ESG reporting, it will become increasingly important that the information disclosed by companies be auditable or verifiable to ensure corporate accountability and assure market participants that the standards are indeed being met. However, it is



also likely that the establishment of the standards will be an iterative process as more countries participate.

Overall, AIMCo supports the IFRS proposal to create an SSB and lead the development of a global sustainability standards framework. We expect the SSB to employ qualified sustainability experts to drive this work and for stakeholders to understand what is being proposed and the timelines for this initiative. As mentioned, the IFRS will need to leverage the frameworks and initiatives that already exist, rolling common themes into a comprehensive set of guiding principles and best practice standards that can be utilized worldwide.

We trust our answers are helpful to the IFRS. Please feel free to contact us should you have any questions.

Sincerely yours,

[Original signed by Amit Prakash]

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