

Open letter to G7

Dear G7 leaders

We write as asset owners and pension trustees who are among the largest long-term institutional investors in the world. We adopt very long-term investment horizons. Investments that we make on behalf of savers and beneficiaries must deliver sustainable long-term risk-adjusted returns. These financial returns are directly affected by global economic growth and wider societal and environmental issues, including climate change.

We urge the G7 to take the lead as set out in the Finance Ministers and Central Bank Governors Communique to facilitate the change across the corporate reporting system and build on the significant progress that has already been made in the moves towards global sustainability standards that meet investors' need for high quality, comparable and reliable information on climate risks. Environmental and social matters impact business resilience and the long-term financial performance of the companies we invest in. Access to consistent, comparable and decision-useful sustainability information across jurisdictions is essential for sound investment decision-making. We therefore support the current moves by the IFRS Foundation to establish an International Sustainability Standards Board and develop a global baseline of sustainability standards that can meet the information needs of capital markets. We believe that a formal standard-setting approach is needed, and should be based on principles of legitimacy, independence, transparency, public accountability and thorough due process, with multi-stakeholder involvement to increase acceptance.

However, standards on their own will not achieve necessary step change. Therefore, we are calling for a whole ecosystem change in order to achieve the quality of information that we need. Concerted action in multiple areas can unlock the long-term, large-scale capital that is critically needed to support global strategies to address sustainable, low-carbon economic growth.

1. We encourage timely evaluation of the sustainability standards, when issued, by governments and regulators around the world, with a view to their early endorsement and adoption, to deliver consistent and comparable information, and avoid regulatory fragmentation. We recognise that there are also important needs at regional and jurisdictional levels. In order to guard against the risk of regulatory fragmentation, a complementary approach should be adopted: a baseline of global standards focused on the needs of asset owners and other capital market participants may be supplemented by additional disclosure requirements when these are necessary to respond to regional jurisdictional policy priorities.
2. Further consideration will also be needed in relation to supervision, including by securities exchanges, to set codes and guidance to support high-quality corporate reporting, monitoring of the quality and consistency of disclosures, and enforcement, to provide mechanisms for addressing non-compliance or misstatements.
3. To achieve urgent change, we believe that the global solution should build on the work of the existing private sector standard-setters and sustainability initiatives. In that regard, we welcome the decision by the IFRSF to use the prototype climate-related financial disclosure standard published by CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB) as a potential basis for its sustainability standards. Together with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD), we believe there is sufficient content for fast progress by the new standard-setter.

- To ensure the quality and consistency of reported information, we recognise that companies need to adopt integrated thinking and embed sustainability issues into their governance, strategy, risk management, metrics and targets. To achieve this, consideration should be given to high-quality mechanisms for oversight, controls and verification, including the role of assurance, applying the same rigour as for financial information.

Time is of the essence. We urge the G7 to take the lead and facilitate the change across the corporate reporting ecosystem and build on the significant progress that has already been made in the moves towards global sustainability standards. Decisive action is needed to enable capital markets to play their role in the transition to a sustainable, low-carbon global economy.



Mikel Svenstrup
Chief Investment Officer
 ATP



Deanne Stewart
Chief Executive Officer
 Aware Super



Christopher Ailman
Chief Investment Officer
 California State Teachers'
 Retirement System



Damian Hill
Chief Executive Officer
 Commonwealth
 Superannuation Corporation



Sonya Sawtell-Rickson
Chief Investment Officer
 Health Employees
 Superannuation Trust Australia



Kasper Ahrndt Lorenzen
Group Chief Investment Officer
 PFA Pension



Damien Frawley
Chief Executive Officer
 QIC



John Chilman
Chief Executive Officer
Railpen Investment
Management

A handwritten signature in black ink, appearing to read 'John Chilman', written on a light-colored rectangular background.



Chris Hannon
Chair
Railways Pension Trustee
Company Limited

A handwritten signature in black ink, appearing to read 'Chris Hannon', written on a light-colored rectangular background.