

July 29, 2021

Mr. Erkki Liikanen
Chair
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD

RE: [Proposed Targeted Amendments to the IFRS Foundation Constitution to Accommodate an International Sustainability Standards Board to Set IFRS Sustainability Standards](#)

Dear Mr. Liikanen:

I write on behalf of the California State Teachers' Retirement System (CalSTRS). Established in 1913, CalSTRS is the largest educator-only pension fund in the world with a global investment portfolio valued at approximately \$308 billion as of June 30, 2021.¹ As administrators of both a defined benefit plan and a defined contribution plan, our mission is to secure the financial future and sustain the trust of more than 975,000 Californian educators.

CalSTRS fully supports the IFRS Foundation making the necessary constitutional amendments to establish an International Sustainability Standards Board (ISSB). The IFRS Foundation will play a valuable role in developing the critical market infrastructure needed to guide corporate disclosures of decision-useful sustainability information linked to enterprise value. This is information CalSTRS requires from all companies across our global portfolio to make informed economic decisions. The same principles that have resulted in objective, auditable, quantifiable, and comparable metrics developed by the International Accounting Standards Board (IASB) should apply to the work of the ISSB given their shared audience: investors. Placing the IASB and the ISSB together under the direction of the IFRS Foundation will symbolically join accounting and sustainability standards in a way that reflects the views of CalSTRS and investors of trillions of dollars across the globe who view sustainability and financial performance as inextricably linked. I welcome the prospect of company reports reflecting this integrated thinking and reporting thanks to unified global standards.

As I wrote to you last year², the success of the ISSB depends on sustainability standards 1) meeting the needs of investors and other capital market participants as the primary users of

¹ [California State Teachers' Retirement System current investment portfolio.](#)

² [California State Teachers' Retirement System letter to the International Financial Reporting Standards Foundation regarding a Global Sustainability Standards Board, December 2020](#)

the data, 2) using existing standards and frameworks reflecting the considerable work already undertaken, and 3) encompassing the full range of material sustainability issues.

Sustainability standards must ultimately meet the needs of investors and other capital market participants, who are the primary users of the data.

The IFRS Foundation’s proposal that the ISSB develop standards which eventually “connect with multi-stakeholder sustainability reporting” is concerning if the Foundation refers to audiences other than investors, creditors and lenders, insurers, financial regulators, and other financial stakeholders.³ This direction would be a deviation from serving the market’s unmet need for sustainability reporting linked to enterprise value—the actual data that can inform capital allocation and vote decisions. In addition to complying with communications required by law or regulation, companies may and do elect to disclose sustainability information to employees, customers, and other community audiences with help from numerous guides. But the rigor and principles applied to investor-quality reports requires singular focus and attention on capital market participants alone. Corporate reporting to investors must be rigorous, current, comparable, comprehensive, and decision-useful whether it includes accounting or sustainability information.

This clarity and focus of audience and purpose should guide the ISSB governance oversight structure and board member recruitment process accordingly. Investors and capital market participants should be represented on the ISSB. They should join other qualified professionals with experience preparing reports for investor and creditor audiences and those with experience in developing standards using a rigorous due process.

Existing standards and frameworks should be leveraged to reflect the considerable work already undertaken.

It is a positive sign that the IFRS Foundation has acknowledged the Task Force on Climate-Related Financial Disclosures as one building block upon which to develop sustainability standards. We encourage the IFRS Foundation to continue to cooperate and integrate the expertise and relationships of the Value Reporting Foundation (which oversees the Integrated Reporting Framework and the Sustainability Accounting Standards Board Standards), CDP, and the Climate Disclosure Standards Board. These groups share the IFRS Foundation’s investor audience and vision for a comprehensive corporate reporting system, and they have collectively spent decades refining metrics and gathering market feedback.

The standards should encompass the full range of material sustainability issues.

The IFRS Foundation’s proposal indicates an early focus on climate issues and pledges to move quickly to address other sustainability dimensions. Climate and human capital are universally material to companies in our portfolios. Quality, comparable information from companies on both industry-specific and universal metrics for these topics is an urgent need

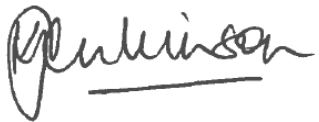
³ [Exposure Draft](#), page 16, paragraph 2b

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for CalSTRS. The interconnectivity of human and workforce impacts related to climate change alone suggests support for a broader agenda. The global pandemic's shock to security prices also illustrates the need for comparable measures which quantify the economic impacts of social externalities on corporate valuations. The IFRS Foundation should prioritize the broadest set of material sustainability issues, including universal and industry-specific metrics, to give investors the complete set of information they need to assess enterprise value, risk and opportunities, and make informed investment decisions.

I am encouraged to see the speed with which IFRS Foundation is accelerating toward this worthwhile aim. I welcome the opportunity to discuss these views and your questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Kirsty Jenkinson". The signature is written in a cursive style with a horizontal line underneath the name.

Kirsty Jenkinson
Investment Director