

October 29, 2021

Mr. Erkki Liikanen
Chair, Board of Trustees
IFRS Foundation
Columbus Building
7 Westferry Circus
Canary Wharf
London, UK E14 4HD

Dear Mr. Liikanen:

The United Nations estimates that there are more than 370 million Indigenous Peoples spread across 70 countries worldwide. The National Geographic Society identifies that while Indigenous Peoples are less than 5 percent of the world's population, they protect 80 percent of global biodiversity. Yet, Indigenous peoples continue to be over-represented among the world's poor. Indigenous Peoples make up 15 per cent of the world's poor, and make up about one-third of the 900 million extremely poor rural people in the world.

With these facts in mind, we think it is very clear that adequate consideration of the United Nations Declaration of the Rights of Indigenous Peoples (UNDRIP) must be a key component of any global Environmental, Social and Governance (ESG) Standards. Further the ability to engage with Indigenous Peoples on the development of global ESG Standards should be an important consideration for which city should be the host of the new global International Sustainability Standards Board (ISSB)

If the rights of Indigenous Peoples, as codified in UNDRIP, are not adequately captured in ESG, and thus in investment decisions, greater systemic risk will exist in markets, particularly with respect to natural resource development projects. UNDRIP recognizes the necessity of gaining the Free, Prior, and Informed Consent (FPIC) from Indigenous communities when economic activity will affect the traditional territories of those peoples. As Canada and other jurisdictions have learned, the risks of not receiving FPIC from affected communities are substantial — the stalling of projects for years in litigation and protest, increasing the cost of capital, and raising systemic risk in the capital markets. These are precisely the kinds of risks that quality ESG ratings are supposed to help investors avoid.

In 2007, 144 countries voted in favour of UNDRIP at the United Nations Generally Assembly, and the four countries that voted against it (Canada, the United States, Australia and New Zealand) subsequently reversed their position and now support UNDRIP. Therefore, UNDRIP is the most useful framework for ensuring that investment decisions based on ESG ratings respect the rights of Indigenous People. Development projects around the world are increasingly facing delays, increased costs and reduced or negative returns on investment, when these rights are not respected.

There are many examples around the world of conflict between potential natural resource projects and the FPIC rights of Indigenous Peoples. In the United States there are ongoing conflicts around the oil reserves in the Arctic National Wildlife Refuge, where the Gwich'in indigenous people rely on herds of caribou. The Mundurucu people in the Amazon rainforest are opposing the building of Tapajós dam. In Peru, peasant farmer Máxima Acuña Atalaya stood up against a gold mining company that tried to intimidate her into leaving her land so that they could mine it. After almost five years of proceedings into unfounded criminal charges of land invasion, the Supreme Court of Justice ruled that there was no reason to pursue the groundless trial, and in May 2017, charges against Máxima were dropped. We believe that these are the very kind of environmental and social issues that ESG standards are meant to capture and the Indigenous Peoples are central to them.

Therefore, we recommend that IFRS ensure that ESG standards and ratings include compliance with the rights and principals found in UNDRIP. To achieve this, IFRS should ensure the new ISSB is properly equipped to engage organizations representing Indigenous Peoples in the development of ESG standards. Doing so would also help ensure that ESG standards work to help achieve the UN's 2030 Agenda for Sustainable Development.

The 2030 Agenda consists of 17 goals and 169 targets of which 92 % are closely linked to human rights. 73 out of the 169 targets have substantial links to UNDRIP. As the UN notes, "For indigenous peoples, [the agenda] is regarded as an improvement compared to the Millennium Development Goals, where indigenous peoples were largely invisible. Indigenous peoples participated in the global consultation process towards the 2030 Agenda and, while not all their concerns were included, their advocacy resulted in a framework that makes explicit references to indigenous peoples' development concerns and that is founded on principles of universality, human rights, participation, equality and environmental sustainability - core priorities for most indigenous peoples."

Additionally the engagement of Indigenous organizations is becoming common practice for International bodies, for example the Arctic Council has recognized that of a total of 4 million inhabitants of the Arctic, approximately 500,000 belong to Indigenous Peoples. Therefore, six Indigenous Peoples' organizations have been granted Permanent Participants status in the Arctic Council.

It is clearly essential that Indigenous Peoples be engaged on ESG standards in order for these standards to achieve their intended goals of facilitating conscientious investment decisions, reducing inequality and combating injustice, and reducing investor exposure to long term risk. If IFRS and the new ISSB fail to ensure that international ESG standards adequately encapsulate Indigenous Rights as captured in UNDRIP, there is the risk that these standards may not be applicable in several jurisdictions. For example, in the Canadian province of British Columbia the government must take all measures necessary to ensure the laws of British Columbia are consistent with UNDRIP. This requirement applies to the British Columbia Securities Commission.

It is the belief of signatories to this letter that the ISSB should ensure that ESG standards are made with the consultation of Indigenous Peoples. Standards that capture the UNDRIP rights of Indigenous Peoples,

will create a much more equitable, favourable and profitable environment for investors and market participants across the globe.

Sincerely,

FIRST NATIONS FINANCIAL MANAGEMENT BOARD

FIRST NATIONS MAJOR PROJECTS COALITION

Per:

Geordie Hungerford

Geordie Hungerford, CFA, CAIA
CEO

Per:

Niilo Edwards

Niilo Edwards
Executive Director

About First Nations Financial Management Board (FMB)

Canada has almost 1.7 million Indigenous people, or about 5% of the population, the majority of which are 'First Nations' peoples ('North American Indians') who are members of First Nations bands or governments. There are more than 600 unique First Nations bands/governments in Canada. The First Nations Financial Management Board is a federal Indigenous-led organization that was created by *the First Nations Fiscal Management Act*, which was passed with all party support in Canada's parliament in 2005.

Our role is to support First Nations governments in the development of strong governance and financial management systems. It is optional to work with us and our services are free of charge, to date 315 First Nations governments from across Canada have scheduled to our Act. These First Nations are a 'coalition of the willing' of First Nations that entrust FMB to seek a new path forward for economic and social development backed by strong financial management and reporting systems.

About the First Nations Major Projects Coalition

The First Nations Major Projects Coalition (FNMPC) is a national not-for-profit collective of over 75 First Nations. FNMPC assists First Nations in making informed business decisions concerning their participation in major natural resource and infrastructure projects through the provision of strategic capacity support concerning economic and environmental considerations.