



June 2022

Secretary Vanessa Countryman
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Response to SEC Consultation on The Enhancement and Standardization of Climate-related Disclosures for Investors Proposed Rule – Release No. 33-11042; 34-94478; File Number S7-10-22

Dear Secretary Countryman,

On behalf of the Value Balancing Alliance, I welcome the opportunity to submit our consultation feedback for the proposed rule on The Enhancement and Standardization of Climate-related Disclosures for Investors.

Sincerely,

A handwritten signature in black ink, appearing to read "Christian Heller". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Christian Heller,
Chief Executive Officer
Value Balancing Alliance

Contact: consultations@value-balancing.com

The **Value Balancing Alliance (VBA)** was founded in June 2019 and (as of June 2022) represents about 25 large international companies, including Anglo American, BASF, BMW, Bosch, Deutsche Bank, DPDHL, Dräger, Holcim, Kering, Kirchhoff Automotive, L'Oréal, Michelin, Mitsubishi Chemical, Novartis, Otto, Porsche-Volkswagen Group, Posco, Sana Kliniken, SAP, Schaeffler, Shinhan Financial Group, SK and ZF. VBA membership companies have direct exposure to SEC regulation, while many are operating in the US and dealing with companies listed in a US-based stock exchange. The alliance is supported by the four largest professional services networks – Deloitte, EY, KPMG, PwC – as well as by leading academic institutions, such as the University of Oxford and Harvard Business School. Furthermore, the VBA is mandated by the European Commission to develop Natural Capital Accounting Principles together with the Capitals Coalition, WBCSD and DG Environment, is member of the EU Platform Sustainable Finance and cooperates with the IFRS ISSB and EFRAG. Within a short period of time, the alliance has established itself as corporate voice in the global accounting policy arena providing pragmatic solutions for sustainability accounting.

Global baseline

Internationally operating companies that are subject to requirements from different jurisdictions, need an internationally consistent framework to provide standardized and comparable information to their stakeholders including the global financial market.

Due to this reason, the VBA advocates for a standardized global sustainability reporting baseline provided by the IFRS ISSB.

Building blocks approach

VBA acknowledges the need to customize an international standard to regional and national conditions (e.g., legal requirements, stakeholder expectations, national targets).

Due to this reason, the VBA supports a building blocks approach: The legislation and specification of the IFRS ISSB standards may be customized to the respective contexts while maintaining a clear link to and consistency with the IFRS ISSB.

Perspectives on value creation

Corporate activities affect the value of companies itself as well as third parties. The VBA is convinced that both perspectives (value to business and value to society) provide valuable information for the decision making of stakeholders.

Due to this reason, the VBA supports the fundamental concept of double materiality as introduced by the European Commission and argues for a consistent and clear operationalization of the concept to support its implementation in companies.

Contextualization of performance measurement

The effect of corporate activities always depends on the specific conditions (e.g., water extraction in arid and humid areas). Therefore, solely quantitative outputs (e.g., litres of

waters consumed), do not provide sufficient information to assess the true impact of corporate activities.

Due to this reason, the VBA calls for the development of Impact Valuation methods to measure sustainability based on monetized impacts that mirror the relevance of the specific conditions.

Integrated reporting and sustainability accounting

To achieve a holistic and sustainable steering of companies, as well as transparency of a company's value creation, corporates must measure and report on economic, environmental, and social impacts. In addition to consistent reporting, data collection needs to be based on standardized accounting standards to provide comparable and robust information to internal and external stakeholders.

Due to this reason, the VBA advocates for integrated reporting, as well as the establishment of standardized accounting methodologies to measure and value the impacts of corporate activities on society, the environment, and the economy. The VBA calls the standard setters to design the upcoming regulations such that Impact Valuation can be incorporated in the future