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June 16, 2022

The Honorable Gary Gensler, Chair
U.S. Securities and Exchange Commission

Re: Request for Comment on Proposed Rule, *The Enhancement and Standardization of Climate-Related Disclosures for Investors* [Release Nos. 33-11042; 34-94478; File No. S7-10-22]

Dear Chair Gensler:

IFAC welcomes the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC" or "the Commission") release addressing *The Enhancement and Standardization of Climate-Related Disclosures for Investors*. As the global voice of the accountancy profession, IFAC represents over 180 Professional Accountancy Organizations in 135 jurisdictions, thereby representing over three million professional accountants. As such, our goal is to bring an international perspective to this issue and encourage the identification of areas of alignment between the U.S., other jurisdictions, and global reporting.

We applaud the Commission's leadership on this important investor topic. IFAC supports including a broader range of information in corporate reporting so that organizations can communicate more effectively—and stakeholders can better understand—prospects for longer-term value creation. We believe that companies that adopt an "integrated mindset"—insight gained by management and those charged with governance from *both* financial and sustainability information, including climate-related issues—will make better decisions and can deliver superior financial returns to investors, as well as take account of value to customers, employees, suppliers, and societal interests.

IFAC's various relevant positions related to climate disclosure, and sustainability more broadly, are presented in our policy paper on *Enhancing Corporate Reporting*, our call-to-action for a new sustainability standards board—*The Way Forward*, our response to the IFRS Foundation Consultation on Sustainability Reporting, our guidance that specifically addresses the Sustainability Building Blocks Approach and How Global [ISSB] Standards Become Local Reporting Requirements, in addition to IFAC's Vision for High-Quality Assurance of Sustainability Information and our thought leadership on Championing an Integrated Mindset to Drive Sustainable Value Creation. We are currently working in partnership with AICPA-CIMA on an updated review (based on 2020 and 2021 reporting years) of market practice with respect to sustainability-related reporting and assurance—informing our understanding of current market practice in the U.S. and globally.[1]

We believe our views on climate and broader sustainability-related disclosure remain broadly consistent with those of the IFRS Foundation and leading integrated and sustainability reporting organizations and remain consistent with IFAC's response in 2021 to the Commission's request for input on climate change disclosures.[2] In developing our positions, IFAC continues to conduct extensive engagement across our global membership as well as other stakeholders. As a result, we recently released a joint statement with organizations representing investors and preparers that emphasizes the need for global and jurisdiction-specific sustainability disclosure initiatives to avoid

[1] See The State of Play in Sustainability Assurance (2019). 2020 and 2021 data to be published later in 2022.
[2] CDP, CDSB, GRI, IIRC, and SASB ("The Alliance"). See their joint Statement of Intent to Work Together Towards Comprehensive Corporate Reporting and their open letter to IOSCO. Also see IFRS Foundation and GRI to align capital market and multi-stakeholder standards.

regulatory and standard-setting fragmentation by collaborating and, wherever possible, aligning key concepts, terminologies, and metrics on which disclosure requirements are built.[3]

**On many important elements, there is alignment between the Commission's proposals for climate disclosure and those proposed for comment by the International Sustainability Standards Board (ISSB).[4] We believe that as much alignment as possible is needed so that the United States can lead and support a *global system for sustainability-related reporting aligned with financial reporting* that serves investors and the public interest. We believe that the ISSB can and should play a critical role in this system by developing a comprehensive, consistent baseline of information—financially material disclosure topics and performance metrics—for investors and global capital markets, addressing enterprise value.**

In the context of this consultation, IFAC highlights six key areas that we believe are important to high-quality, decision-useful climate and sustainability-related disclosures. We focus on these areas in greater detail in response to specific requests for comment in the Commission's consultation.

1. **Investor focus:** Climate change and other sustainability-related information enhances investors' ability to assess company performance, risks, opportunities, and long-term prospects—i.e., enterprise value. A "Building Blocks Approach,"-–as advocated by IFAC, the IFRS Foundation, IOSCO, and others—balances the information needs of investors and capital markets with additional public policy-related disclosure that some jurisdictions may require. The Commission's proposals for climate disclosure address investor information needs and are, in IFAC's view, consistent with "Block 1" investor-focused sustainability information material to enterprise value.

2. **Importance of regulation:** Climate and sustainability information must be high-quality, decision-useful, and trusted. Therefore, the current myriad of frameworks for such disclosure (primarily voluntary) must be rationalized and harmonized. This process is successfully underway—consolidating under the IFRS Foundation the work and resources of the Climate Disclosure Standards Board (CDSB) and the Value Reporting Foundation (VRF, comprised of the Sustainability Accounting Standards Board and International Integrated Reporting Council) and collaborating with the World Economic Forum and the Task Force on Climate-Related Financial Disclosures (TCFD). Regulations, including those proposed by the Commission for climate disclosures, should promote rigor and result in robust information—not incentivize compliance-based reporting and assurance. This can serve to further harmonize a global approach to climate disclosure.

3. **Alignment:** Interoperability of jurisdiction-specific sustainability disclosures with emerging global requirements under development by the ISSB is critical for investors who allocate capital based on comparable information about entities across different markets. Reporting entities should be able to accurately collect and report information in a manner that effectively serves requirements under globally applicable or jurisdictional requirements. Alignment of key concepts, terminologies, and metrics is imperative to avoiding standard-setting and regulatory fragmentation and to allow companies to avoid unnecessary duplication. We urge the SEC to continue as an active and supportive participant in global alignment efforts.

4. **Assurance:** To be trusted, climate and sustainability information should be subject to high-quality, independent, external assurance, based on high-quality assurance and ethics standards. Disclosures must be based on clear reporting frameworks/requirements that support assurability.

[3] See: Leading Financial Market Participants Call for Stronger Alignment of Regulatory & Standard Setting Efforts around Sustainability Disclosure

[4] See [Draft] IFRS S2 Climate-related Disclosures, March 2022.

5. **Interconnected approach:** Sustainability disclosures are most valuable to investors and other stakeholders when they are connected to financial reporting information. This includes improving the timeliness and proximity of location between financial and climate/sustainability information when being made public. Climate-related information must be at the same level of quality and decision usefulness as financial information. Specific, dedicated board/director oversight, including by audit committees, is necessary if climate and sustainability disclosure is to achieve its intended purpose.

6. **Equivalency:** IOSCO's potential endorsement of International Sustainability Disclosure Standards in 2022 offers an opportunity for use of the ISSB's work—both by foreign companies that list on US exchanges and by US companies that elect to disclose sustainability information for which the Commission has not yet specified requirements (i.e., voluntary disclosures). We urge the Commission to develop a plan for recognizing the equivalency of ISSB and SEC climate-related requirements, as well as to support the use by US registrants of ISSB Standards for reporting on sustainability matters not required by the Commission.

The U.S. and the SEC have played a critical role in the development of IFRS Standards for financial reporting, including important convergence work between the FASB and IASB and permitting more than 500 foreign SEC registrants, with trillions of dollars of worldwide market capitalization, to use IFRS Standards in their US filings.[5]

Today, as policymakers consider the best way forward for crafting the emerging global system for sustainability-related reporting, support from the U.S.—through the leadership and activities of, and engagement by, the SEC, as well as US leadership in the G7, G20, IOSCO, and other global bodies—is more important than ever.[6] Climate disclosure requirements for US registrants that align with ISSB requirements are an important first step.

**On behalf of the global accountancy profession, IFAC urges the SEC to develop its climate-related disclosure requirements to be supportive of the global ISSB initiative. IFAC stands ready to assist the Commission in any way that we can.**

Sincerely,

Kevin Dancey

Chief Executive Officer, IFAC

[5] IFRS Standards Use Around the World: IFRS - View Jurisdiction

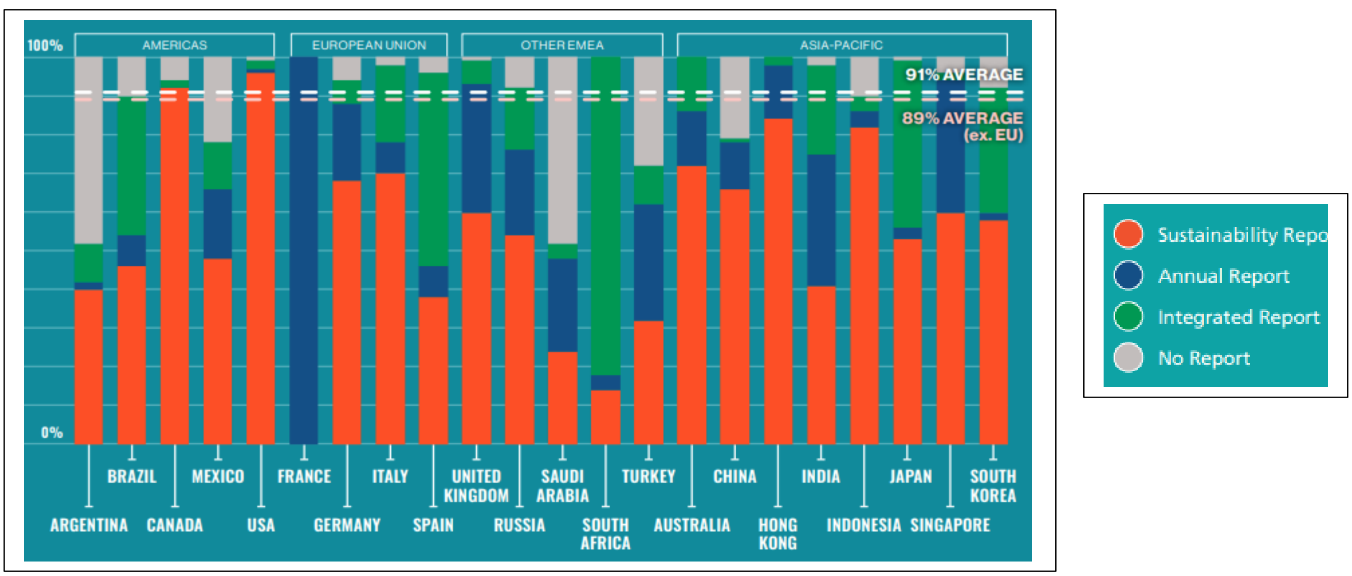
[6] The Finance Ministers and Central Bank Governors of the G7 recently expressed their agreement on i) "the need for a baseline global reporting standard for sustainability, which jurisdictions can further supplement," ii) welcoming "the International Financial Reporting Standards Foundation's programme of work to develop this baseline standard under robust governance and public oversight, built from the TCFD framework and the work of sustainability standard-setters, involving them and a wider range of stakeholders closely to foster global best practice and accelerate convergence" and iii) encouraging "further consultation on a final proposal leading to the establishment of an International Sustainability Standards Board ahead of COP26." G7 FINANCE MINISTERS & CENTRAL BANK GOVERNORS COMMUNIQUÉ | U.S. Department of the Treasury

## IFAC RESPONSES TO PROPOSED RULE ON THE ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLSOURES FOR INVESTORS

### A. Overview of the Climate-Related Disclosure Framework

**Location of climate-related disclosures: IFAC supports the Commission's proposal to require, under Regulation S-K, a narrative discussion and analysis of climate-related information/metrics that includes the relevance to a company's strategy, business model, and outlook. Based on the evidence presented below, we conclude that the location of the information is perhaps less important (as long as the information is prominent and readily accessible) than the *timeliness* of the information relative to a company's reported financial information/filings.**

In 2021, IFAC partnered with AICPA-CIMA and engaged a data analytics firm to study sustainability information reporting and assurance practice for fiscal year 2019. The data captured allowed us to identify the location of companies' published sustainability information—i.e., in an Annual Report, in an Integrated Report (i.e., following <IR> Principles), or in a separate/Corporate Sustainability Report (CSR). Of the 100 US companies reviewed (based on largest market capitalization), 99% disclosed *some* ESG information. Of these 99 companies, 96% made disclosures in a separate CSR. The next most frequent use of CSRs was observed in Canada (92%). In contrast, 100% of French companies reviewed provided sustainability disclosures in an Annual Report, while 82% of South African companies relied on an Integrated Report. A mix of all three reporting locations were observed in most of the twenty-two jurisdictions studied, but the use of CSRs is most common in all but three of twenty-two jurisdictions (see below).[7]




This analysis demonstrates a range of reporting practice, globally. Based on extensive stakeholder outreach that IFAC conducted following publication of its research—to understand reporting practice and identify best practices—we concluded that aligning sustainability disclosure with financial reporting (i.e., improving

[7] IFAC and AICPA-CIMA State of Play in Sustainability Assurance, p 9 – 10.

timeliness and including ESG information in annual or integrated reports) would support and promote reporting and assurance practices that connects financial and sustainability-related information. Further, analysis currently underway on sustainability information from the 2020 reporting cycle, indicates that significant timing gaps may exist between the reporting of financial information versus the reporting of sustainability information by U.S. companies.[8] In our view, these timing gaps must be narrowed if sustainability information is to be on-par in importance and reliability with financial information—i.e., taking an "interconnected" approach that best serves the needs of investors as well as other stakeholders.

**The TCFD Framework: IFAC supports initiatives for climate and other sustainability information that leverage the existing work of high-quality, *investor-focused*, sustainability standards and frameworks, including TCFD recommendations.**

IFAC's 2020 road map, calling for the establishment of a new International Sustainability Standards Board (ISSB), focused on the goal of developing global standards for reporting on sustainability information that would help rationalize the current fragmented and voluntary reporting ecosystem that has been documented by our research.[9] Recently, we acknowledged the importance of the ISSB's first two exposure drafts that build upon TCFD recommendations and SASB Standards, in addition to the work of the Climate Disclosure Standards Board, the International Accounting Standards Board, the Value Reporting Foundation, and the World Economic Forum.[10] We also note the growing acceptance of TCFD for climate-related disclosure. Our own research suggests that since 2019, the level of TCFD based disclosure has increased dramatically.[11]

Further, we note increased use of/reference to TCFD by other jurisdiction-specific initiatives. For example:

- In the UK, large companies will be required (as of 2022) to disclose climate-related risks and opportunities in line with the TCFD Framework.[12]
- New Zealand has enacted mandatory TCFD disclosures for the financial sector.[13]
- In Australia, the Australian Sustainable Roadmap of the Australian Sustainable Finance Institute recommends the largest listed companies and major financial institutions report according to the TCFD recommendations by 2023.[14]
- The Canadian Securities Administrators consultation contemplates disclosures related to the four core elements of TCFD recommendations.[15]

Consistent with our support for the ISSB to leverage the work of existing, high-quality, investor-focused frameworks and standards, the use of TCFD recommendations in the US will help facilitate essential alignment with other jurisdiction-specific requirements also based on TCFD, as well as the global initiative of the ISSB.

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[8] Preliminary analysis conducted on behalf of IFAC and AICPA-CIMA suggests that in excess of 100 days occurred among our sample set of large U.S. companies as compared to less than 30 days in Australia, France, Germany, Italy, Spain, and the UK.

[9] Sixty-eight percent of ESG reporting by 1269 companies examined used multiple frameworks and standards. See The State of Play in Sustainability Assurance – p10.

[10] IFAC Congratulates the ISSB on Publication of its First Two Proposed Standards Addressing Climate and General Sustainability-Related Disclosures, April 4, 2022

[11] IFAC is updating its State of Play benchmarking research on reporting and assurance of sustainability information for fiscal year 2020. The unpublished results of our research indicate a material increase in the use of TCFD in many jurisdictions.

[12] See: UK to enshrine mandatory climate disclosures for largest companies in law - GOV.UK (www.gov.uk)

[13] See: New Zealand first in the world to require climate risk reporting | Beehive.govt.nz

[14] See: EER Framework (3/22) (aasb.gov.au)

[15] See: 51-107 - Consultation Climate-related Disclosure Update and CSA Notice and Request for Comment Proposed National Instrument 51-107 Disclosure of Climate-related Matters (osc.ca)

## B. Disclosure of Climate-Related Risks
## C. Disclosure - Climate-Related Impacts on Strategy, Business Model, and Outlook

**Addressing Risks/Opportunities: IFAC believes that adopting an "integrated mindset" is the key to an organization's ability to achieve long-term, sustainable value creation for investors and all stakeholders. This requires measuring, managing, and reporting on sustainability factors (i.e., climate and other environmental, social, governance) in conjunction with financial performance to improve corporate oversight, strategy development, decision making, and *both* risk *and* opportunity assessments. We support the Commission's inclusion of risk and opportunity assessment and strategy/business model in climate disclosures.**

A recent investor survey reported on the top characteristics that investors are looking for in ESG reporting. 79% of respondents agreed that how a company manages ESG risks and opportunities is an important factor in investment decision making. More specifically, top characteristics that investors look for in ESG reporting include:[16]

- Explaining the relevance of ESG factors to the company's business model (84%),
- Explaining the governance over ESG risks and opportunities (79%),
- Showing a link between ESG risks and opportunities and financial performance (75%),
- Showing a link between ESG risks and opportunities and executive pay (66%).

A balanced assessment of opportunities—including those afforded to companies who have embraced the carbon transition—is equal in importance to investors and stakeholders, as is risk assessment. This said, incentives to overstate opportunities may exist. Professional accountants can play an important role in mitigating overstatement or potential misrepresentation—acting in accordance with a professional code of ethics in the preparation and presentation of sustainability information as well as through providing high-quality assurance over what companies file with regulators or otherwise disclose to investors and other stakeholders.

The introduction of specific reporting frameworks and standards also serves to bring rigor, relevance, consistency, and comparability to climate and sustainability-related reporting and will foster the development of better systems and internal controls—all leading to more reliable/credible information. IFAC's research demonstrates that voluntary, market-driven disclosures only go so far. 68% of the 1269 companies who disclosed ESG information in our benchmarking study relied on multiple reporting frameworks/standards. GRI and the UN's SDGs were most prevalent (69% and 62% respectively). Neither GRI nor the SDGs are intended to specifically deliver decision-useful, investor-focused information for capital markets. In particular, the prevalence of information related to the SDGs perhaps signals well-intended corporate activities and programs but does not necessarily lead to decision-useful disclosures needed for capital allocation decisions. The SEC's proposed climate disclosure requirements are an important step towards investor-focused, high-quality, assurable information.

## D. Governance Disclosure

**IFAC supports robust governance/oversight of climate-related reporting. Senior management must take material climate (and other ESG factors) into consideration in developing their business strategies and business plans and to assess risks and opportunities. Such information must be at**

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[16] PWC's Global investor survey, December 2021

**the same quality and decision usefulness as financial information. This will not happen without specific, dedicated board oversight and direction.**

High quality climate and sustainability disclosure starts within companies—in the supply chain of information gathering and decision-making that precedes the publication of information to stakeholders. As investors re-direct capital flows towards sustainability-conscious investment strategies,[17] the internal rigor of sustainability information needs to become better integrated with conventional internal controls, data gathering, and corporate reporting functions; otherwise, an investor protection or expectation gap may emerge.

As noted above, IFAC has called on companies to adopt an "integrated mindset"—improving the quality of climate (and other sustainability) information and processes and connecting these to financial reporting. This leads to better decision making and communication with stakeholders. Decision-useful information—as proposed by the Commission—will only result if financial and sustainability information and their supporting business processes and systems are integrated, and the quality of this information, as well as its connectivity to financial position / performance, is improved.[18]

A survey of 57 large US and European companies suggests that corporate finance departments (i.e., engaged in SEC reporting) are not currently an integral part of sustainability-related reporting. Only 7% of those surveyed indicated that the finance function was involved in data collection, review and discussion of metrics and goals. The majority of responses focused on sustainability, legal, communications, investor relations, and/or environmental/health/safety functions within their companies.[19]

This said, IFAC acknowledges that developing and implementing such processes is a journey that companies, assurance providers, enforcement agencies, audit committees and other members of the ecosystem responsible for achieving high quality company reporting (and assurance of information) must take.[20] Appropriate board oversight—evidenced by disclosures related to director qualifications, their level of engagement, and extent to which sustainability information is incorporated into development of strategy and risk management—can be useful measures to a phased implementation approach to high-quality, decision-useful climate (or broader ESG) disclosures.

## H. Attestation of Scope 1 and Scope 2 Emissions Disclosures

**Addressing the evolution of assurance requirements, assurance service providers and qualifications, and standards for assurance engagements**

**IFAC strongly supports the Commission's proposals to require assurance of climate or sustainability disclosures in the U.S., taking a phased approach leading to a reasonable level of assurance on the most important decision-useful information. As we stated in our June 15, 2021 letter to the Commission, IFAC believes that assurance improves user confidence, enhances access to capital, brings rigor to the development of company reporting systems and processes, promotes comparability of information, and *enhances investor protection*. The alignment of corporate reporting requirements for sustainability information will continue to support the evolution and**

[17] Larry Fink's 2021 Letter to CEOs

[18] Championing an Integrated Mindset: Driving Sustainability and Value Creation

[19] The Conference Board, Sustainability Matters: Sustainability Assurance Practices, Results of a survey of companies' usage of external assurance for their publicly reported nonfinancial information, November 2019, Thomas Singer (page 4, figure 2): SUSTAINABILITY MATTERS Sustainability Assurance Practices | The Conference Board (conference-board.org)

[20] See IFAC Point of View on Achieving High-Quality Audits for more information on the importance of a well-functioning ecosystem comprised of the right people, the right governance/oversight, right regulation, the right audit/assurance, and the right measurements.

**harmonization of assurance standards and practice—in accordance with PCAOB Standards, AICPA Audit and Attest Standards, standards of the International Auditing and Assurance Standards Board, or other high-quality jurisdiction-specific requirements.[21]**

Current practice with respect to assurance of climate or other sustainability information mirrors the lack of standardization in reporting practice. Data from the IFAC/AICPA-CIMA study shows a situation that is still evolving, with significant differences in practices (both for reporting of information and for the assurance of information) across jurisdictions.

IFAC agrees with the AICPA and Center for Audit Quality that "third-party assurance from an independent accounting firm can enhance the reliability of ESG information reported by companies, in a manner similar to the process that occurs with audits of financial statements and internal control over financial reporting."[22]

Further, we acknowledge U.S. leadership of the new Technical Expert Group under the auspices of IOSCO's Sustainable Finance Task Force.[23] In identifying its priorities for improving sustainability-related disclosures, the IOSCO Board has expressed support for independent assurance of company disclosures.[24]

Providers of assurance working in the public interest (be it addressing financial *or* sustainability information) must be independent as described in an accepted, reputable code of ethics or other legislative requirements, must utilize applicable standards for conducting assurance engagements, must work in accordance with a system of quality management, must be skilled and competent in assurance practice/procedures, and must possess needed subject matter expertise (including working with subject matter experts where appropriate).

IFAC believes that this assurance framework employed by professional accountants is best positioned to deliver to investors and all stakeholders the necessary level of trust and confidence in sustainability information, which is comparable to the trust and confidence of financial information that is used for capital allocation decisions.[25]

However, information published in 2021 by the Center for Audit Quality demonstrates that among companies comprising the S&P 500, only 31 sustainability assurance engagements (out of a total of 264 engagements) were performed by a public company auditor (i.e., professional accountants)—with the remainder performed by other assurance or verification providers. Two hundred thirty-six companies provided no verification over the information they reported. The scope of assurance provided by non-public company auditors was predominantly focused on greenhouse gas-related metrics.[26]

Data collected in our IFAC/AICPA-CIMA study (based on the 2019 reporting cycle) corroborates this assessment. In fact, only South Korea demonstrated a lower use of professional accountants performing ESG-related assurance engagements.[27] Preliminary analysis of 2020 reporting indicates a similar outcome.

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[21] See International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, as well as the IAASB Consultation on Extended External Reporting (EER) Assurance.

[22] ESG Reporting and Attestation: A Roadmap for Audit Practitioners

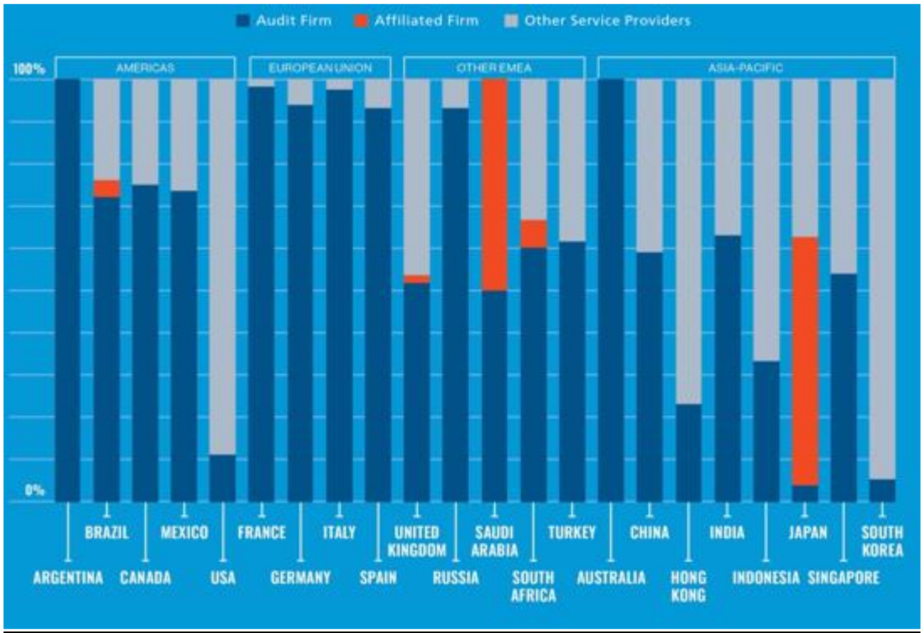
[23] IOSCO March 30, 2021 Media Release

[24] IOSCO February 24, 2021 Media Release

[25] Respondents to a 2021 investor survey conducted by PWC expressed high expectations of an organization providing assurance on ESG reporting: 82%of respondents think it is important that the assurance work is conducted using a recognized assurance standard; 82% say the firm should have appropriate quality management systems in place; 81% support work should be done by a team that collectively has expertise in both providing assurance and the subject matter covered by the assurance; 80% support an assurance firm and its employees who are subject to regulated ethical standards and independence requirements.

[26] Center for Audit Quality publication: S&P 100 and ESG Reporting (April 29, 2021)

[27] See Footnote 7




Further, our analysis suggests that U.S. companies lag practice in other G20 countries—where sustainability assurance reports are included in annual reports, integrated reports, or corporate sustainability reports. The majority of US companies publish assurance reports on their company website or some other location.

Regulations matter: Requirements for climate-related disclosure under Reg S-X and S-K, including limited assurance (progressing to reasonable assurance, and especially when conducted by professional accountants), will serve to increase rigor and best practices by US registrants—resulting in higher-quality and decision-useful information.

## I. Targets and Goals Disclosure

**<u>Addressing emission targets/goals</u>**

**Requirements for companies to disclose how they intend to meet their stated climate-related goals and targets are becoming of increasing importance to investors. IFAC acknowledges the role of both financial and sustainability-related reporting in providing investors and other stakeholders with high-quality climate change information—including appropriate disclosures in the financial statements. Although financial reporting standards (i.e., US GAAP and IFRS Accounting Standards) have not changed, investors, as well as other stakeholders, increasingly consider climate change to be a material issue that can have financial consequences for many companies.**

IFAC's Climate Action Point of View, issued in December 2019, highlights climate change as an urgent, global issue and outlines the influence and responsibility that IFAC's 180 member organizations and over 3 million professional accountant members have in climate reporting.[28] In 2021, IFAC issued a Statement that continued to advocate for and support the accountancy profession's role in enabling climate action by providing transparency and insights on the financial impacts of climate change.[29]

[28] IFAC Point of View on Climate Action

[29] Corporate Reporting: Climate Change Information and the 2021 Reporting Cycle

Emission targets and transition plans, if reported by a company, should be considered as part of the overall, high-quality climate disclosure information provided. However, based on outreach with investors and other stakeholders, IFAC believes that there is the potential for a gap between the expectations of many investors and the quality and extent of targets and transition plans currently reported by many companies. To inform evidence-based policy and standard-setting discussions, IFAC has commissioned a global benchmarking study to analyze current market practice, across fifteen jurisdictions, with respect to company-reported emission targets, transition plans, and stated cost estimates. IFAC would be pleased to provide the results of this review, once completed later in 2022.

## J. Registrants Subject to the Climate-Related Disclosures Rules and Affected Forms

**Addressing foreign registrants, alignment, and voluntary use of ISSB standards**

**IFAC encourages the Commission to develop a plan for allowing foreign private issuers to use high-quality, globally applicable climate-related disclosure requirements developed by the ISSB to satisfy US listing requirements and to also encourage U.S. companies to use ISSB standards for reporting on sustainability matters not required by the Commission (i.e., voluntary disclosures). IFAC supports a global system for disclosures addressing climate and other sustainability/ESG issues that enhances corporate reporting through consistent, comparable, and assurable information. Minimizing duplicative reporting requirements will serve to enhance global consistency, facilitate capital flows, and minimize cost, complexity and confusion for companies.**

As IFAC's recent joint statement with PRI (Principles for Responsible Investment) and the WBCSD (World Business Council for Sustainable Development) indicates, clear, comprehensive and comparable disclosure of sustainability-related information is one of the foundational building blocks of a well-functioning global financial system. As financial market participants representing over 200 companies, 4902 investors and more than 3 million professional accountants, we have urged the ISSB, the SEC, and EFRAG to avoid regulatory and standard-setting fragmentation by aligning key concepts, terminologies, and metrics.[30]

Allowing foreign companies who trade on US exchanges to fulfill their SEC climate-related disclosure requirements through the use of globally applicable ISSB standards would be an important step in fostering lasting alignment, interoperability, and consistency for the benefit of investors and companies. To the extent US and ISSB climate disclosures can be sufficiently aligned to allow this equivalency, the emergence of an investor-focused, global baseline of disclosures would be greatly enhanced and could encourage similar arrangements among other jurisdictions, thereby eliminating a costly and confusing multi-reporting system that would discourage cross-jurisdictional exchange listings. As noted above, IOSCO's potential endorsement of International Sustainability Disclosure Standards later in 2022 offers an opportunity and incentive for use of the ISSB's work across international borders. The establishment of an ISSB working group and a Sustainability Standards Advisory Forum both serve to facilitate compatibility between the ISSB's global baseline and jurisdictional initiatives. **We urge the SEC to continue as an active and supportive participant in such global alignment efforts.**

Our review of reporting and assurance practice demonstrates the prevalence of reporting by US companies that is referencing and using SASB Standards (i.e., SASB use being the highest in the U.S. and Canada

[30] Leading Financial Market Participants Call for Stronger Alignment of Regulatory and Standard Setting Efforts around Sustainability Disclosure

among G20 nations). The ISSB has communicated plans for building upon SASB Standards and for embedding SASB's industry-based standards development approach into the ISSB's standards development process. IFAC would therefore recommend that the SEC encourage US companies to use the ISSB's future disclosure requirements, incorporating the work of SASB Standards and the TCFD framework, for voluntary (i.e., non-SEC requirement) sustainability disclosures. We believe that such use by US companies, even for voluntary disclosures, will support and contribute towards a global baseline of investor-focused sustainability information.