

The Enhancement and Standardization of Climate-Related Disclosures for Investors

Proposed rule amendments for public comment issued by Securities and Exchange Commission in March 2022

File No. S7-10-22

Comments from ACCA
June 2022

ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants.

We're a thriving global community of **233,000** members and **536,000** future members based in **178** countries and regions, who work across a wide range of sectors and industries. We uphold the highest professional and ethical values.

We offer everyone everywhere the opportunity to experience a rewarding career in accountancy, finance and management. Our qualifications and learning opportunities develop strategic business leaders, forward-thinking professionals with the financial, business and digital expertise essential for the creation of sustainable organisations and flourishing societies.

Since 1904, being a force for public good has been embedded in our purpose. We believe that accountancy is a cornerstone profession of society and is vital in helping economies, organisations and individuals to grow and prosper. It does this by creating robust trusted financial and business management, combating corruption, ensuring organisations are managed ethically, driving sustainability, and providing rewarding career opportunities.

And through our cutting-edge research, we lead the profession by answering today's questions and preparing for the future. We're a not-for-profit organisation. Find out more at [accaglobal.com](https://www.accaglobal.com)

ACCA



+44 (0)20 7059 5000



info@accaglobal.com



www.accaglobal.com



The Adelphi 1/11 John Adam Street London WC2N 6AU United Kingdom

Further information about ACCA's comments on the matters can be requested from:

Richard Martin,
Head of Corporate Reporting

[Redacted]
[Redacted]



GENERAL COMMENTS

ACCA welcomes the opportunity to provide views in response to the proposed rule changes to improve the disclosures of climate-related information.

We welcome the initiative by the Commission to enhance and make more consistent the disclosures of this information which has become so important for investors and capital markets globally. We would recommend that the SEC coordinates with the International Sustainability Standards Board (ISSB) to ensure that its disclosure framework is consistent and interoperable with the global baseline of ISSB standards – including aligning terminology and definitions.

We have responded on the aspects in the proposed rule of global harmonisation of the disclosures and the impact on foreign private issuers.

RESPONSES TO SOME SPECIFIC QUESTIONS RAISED

3. Should we model the Commission’s climate-related disclosure framework in part on the framework recommended by the TCFD, as proposed? Would alignment with the TCFD help elicit climate-related disclosures that are consistent, comparable, and reliable for investors? Would alignment with the TCFD framework help mitigate the reporting burden for issuers and facilitate understanding of climate-related information by investors because the framework is widely used by companies in the United States and around the world?

The Commission should use the TCFD recommendations as the framework for its climate-related disclosures for now. The TCFD recommendations have achieved widespread acceptance by investors and others as very useful for their purposes. They are already widely used by companies globally for their reporting of climate-related issues. Fostering global convergence of this information will be of immense importance and the use of the TCFD proposals will progress that objective. In due course however we consider the SEC should align its requirements with the global baseline being developed by the ISSB.

183. Should we adopt an alternative reporting provision that would permit a registrant that is a foreign private issuer and subject to the climate-related disclosure requirements of an alternative reporting regime that has been deemed by the Commission to be substantially similar to the requirements of proposed Subpart 1500 of Regulation S-K and Article 14 of Regulation SX to satisfy its disclosure obligations under those provisions by complying with the reporting requirements of the alternative reporting regime (“alternative reporting provision”)?

The Commission should allow foreign private issuers the alternative reporting provision to supply climate-related disclosures that are substantially similar to the SEC requirements. Specifically, this should permit foreign private issuers to provide climate-related disclosures in line with [draft] IFRS S2 *Climate-related Disclosures*, which the International Sustainability Standards Board (ISSB) aims to finalise by the end of 2022. In our view, the standards being developed by the ISSB should serve as the basis for a global baseline of disclosures.

There is widespread, significant and urgent demand for information from businesses on climate-related issues including governance, strategies, risks, targets and performance metrics. It is important that the requirements that are being rapidly developed to meet this demand be co-ordinated as much as possible across the world. The main benefits of globally consistent regulation we see as

- Providing the investors operating across global capital markets with high-quality and comparable information which is increasingly critical for their investment decisions
- Minimising the reporting burden for companies that have listings on multiple exchanges or that have subsidiaries that may be required to report in different jurisdictions, by reducing the number of different requirements that have to be complied with.

We support the ‘building block approach’, where any necessary jurisdictional disclosure requirements are interoperable with the global baseline, as established by the ISSB.. We hope that no extra requirements will be needed in most cases and the number minimised of any that are.

The SEC should take part in the development of this global baseline with other standard-setters. This would mean that there should be many countries which will have requirements that are substantially similar and facilitate this alternative reporting provision.

As a means of progressing the building block approach, we welcome the initiative of the ISSB on 27 April to set up a new working group of jurisdictional representatives, of which the SEC is a part.

184. *If we adopt an alternative reporting provision, should we specify certain minimum standards that the alternative reporting regime must meet in order to be recognized and, if so, what standards? For example, should we specify that an alternative reporting regime must require the disclosure of a foreign private issuer’s Scopes 1 and 2 emissions and related targets, the proposed financial statement metrics, as well as disclosures pursuant to the TCFD’s recommendations regarding governance, strategy, and risk management disclosure? Should we specify that the alternative reporting*

regime must require the disclosure of Scope 3 emissions and, if so, should we deem the alternative reporting regime to be substantially similar even if its Scope 3 emissions requirements become effective after the Commission's phase in period for Scope 3 emissions disclosure requirements? Should we specify that the alternative reporting regime must require the disclosure of scenario analysis if a registrant uses scenario analysis in formulating its strategy regarding climate-related risks? Are there certain climate-related disclosure requirements that have been adopted or are in the process of being adopted in other jurisdictions that we should consider to be substantially similar to the Commission's rules for purposes of an alternative reporting provision? If so, which requirements should we consider?

As we have noted in our response above, a global baseline of climate-related disclosure requirements should be developed which would mean that minimum standards were met. In our view that baseline should include all of the items mentioned in this paragraph, namely Scope 1, 2 and 3 emissions, the TCFD recommended disclosures of governance, strategy and risks as well as scenario analysis.

The requirements of the ISSB's and the European Union's climate standards seem likely to be substantially similar to those proposed by the Commission.

185. *If we adopt an alternative reporting provision, should it be a mutual recognition system, so that, as a condition of our recognition of a particular jurisdiction as an alternative reporting regime, that jurisdiction must recognize the Commission's climate-related disclosure rules as an alternative reporting system that a registrant dual-listed in the United States and the other jurisdiction may use to fulfil the foreign jurisdiction's climate-related disclosure rules?*

We do not consider that this would be a helpful approach.

It would at the least likely delay the process of adoption. Other jurisdictions such as the European Union are developing requirements that are designed to meet the demands of other stakeholders than investors for sustainability-related information. As noted, ACCA supports the global baseline and building block approach which envisages that there may be extra requirements specific to a jurisdiction and these would inevitably make mutual recognition difficult.

189. *An International Sustainability Standards Board (ISSB) has recently been created, which is expected to issue global sustainability standards, including climate-related disclosure standards. If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB? If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all*

registrants? What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or a similar body?

The climate standard of the ISSB should be considered the global baseline. Along with other standards that are substantially similar (such as those of the European Union), it should be eligible for the alternative reporting provision.

We see the case for the option of the alternative reporting provision as clearest for foreign private issuers. If specific US additional requirements were absolutely necessary, then these should be applied to US registrants.