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PDC n°33

Ms Vanessa Countryman
Secretary
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20459-1090

Subject : Request for comment on the Enhancement and Standardization of Climate-Related Disclosures for Investors (Release Nos. 33-11042; 34-94478; File No. S7-10-22) - Proposed rules

Dear Ms Countryman,

I am writing to you as Chairman of the French accounting standard-setter (Autorité des normes comptables or ANC) following extensive work carried out by its Sustainability Reporting Committee and due consultation with its Board to express our views on the above-mentioned request for comment on the Enhancement and Standardization of Climate-Related Disclosures for Investors.

This letter sets out the most important matters that French interested stakeholders involved in ANC's Sustainability Reporting Committee have identified.

We welcome and overall support the Securities Exchanges Commission's (SEC) initiative to propose a rule that would require registrants to provide certain climate-related information in their registration statements and annual reports.

The fight against climate change is a priority at European level. Climate reporting plays an important role in achieving global climate-related objectives, notably keeping the temperature below 2°C and pursuing efforts to limit it to 1.5°C above pre-industrial levels. As a member of the G20 countries, France is also committed to promoting a convergence in international reporting standards on climate and recognizes that climate-related objectives would be hard to achieve without harmonization of jurisdictional reporting standards to the maximum extent possible. We believe in particular that investors that operate globally, together with European, American and other reporting entities, will benefit from such convergence and harmonization.

Such convergence in international reporting standards across different jurisdictions will also be beneficial for the quality of the information related to the value chain. For example, EU reporting entities will expect the same quality of disclosures with regards to GhG emissions from their foreign suppliers (including US registrants). Therefore, harmonizing requirements and methodologies will be key to ensure consistency and comparability.

In the context of the urgent need to improve the consistency, comparability and reliability of sustainability reporting for investors (and other stakeholders), we support the SEC's proposal to require registrants to disclose useful information about climate risks. This should enable investors to better understand how climate change may affect their investments. We also welcome the efforts to build upon the existing commonly accepted framework such as the Task Force on Climate-related Financial Disclosures (TCFD). We highlight that European Sustainability Reporting Standard on Climate Change is also inspired by the TCFD. Accordingly, we believe there is a high potential for compatibility of disclosure requirements between those in the ESRS on climate change (ESRS E1 Climate change) and the SEC's proposed rule.

To maximize the efficiency of the collective efforts in converging sustainability standards at EU and global level, we invite the SEC to consider the following observations:

1- Fostering equivalence to the ESRS on Climate change

With reference to the Discussion in section J (Registrants Subject to the Climate-Related Disclosure Rules and Affected Forms), we would like to provide contextual background and comments in respect of the question raised in Paragraph 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 S-X to satisfy its disclosure obligations under those provisions by complying with the reporting requirements of the alternative reporting regime (alternative reporting provision)?”

The European Union is in the process of implementing its Green Deal plan. This plan includes many actions in relation to disclosure requirements such as the ones deriving from the Green taxonomy, the Corporate Sustainability Directive (CSRD) and the Sustainable Finance Disclosure Regulation (SFDR). As a part of those requirements, the European Union is developing a set of comprehensive and high-quality reporting standards (ESRS) under the CSRD. Please note that the CSRD establishes a mandatory regime of sustainability reporting applicable to all large undertakings, listed or not, covering environmental (including climate change), social and governance sustainability-related matters. The sustainability report shall be prepared in compliance with the ESRS and will be audited.

After having carefully analysed the substance of the proposed disclosure requirements, we believe that these ESRS, in particular ESRS E1 Climate change, should enable EU SEC-registrants to concomitantly comply with the SEC’s proposed climate objectives. This may arguably lead the SEC to consider adopting an equivalence decision in this respect in compliance with an appropriate alternative provision. We believe that such equivalence would not be detrimental to users and ultimately would strike a proper cost/benefit balance for users. It would also be beneficial to preparers who will face significant challenges over the coming years with respect to the implementation of the various sustainability reporting requirements. Consequently, we recommend the SEC be considering granting an equivalence of the ESRS with the SEC’s proposed rule.

The SEC may also consider granting equivalence to other sustainability reporting standards (such as those under development by the International Sustainability Standards Board) if they are deemed of high quality and meet similar global sustainability objectives.

The implementation of such an alternative reporting provision should encompass climate-related disclosures as a whole wherever they are located (management report in the EU or registration document and annual reports in the US) as long as they are recognized as « substantially similar ».

2- Aligning the financial materiality threshold with the ones usually retained for financial materiality

We understand that registrants would be required to disclose the impacts of the climate events (severe weather events, and other natural conditions and physical risks identified by the registrants) and transition activities (including transition risks identified by registrants) on the line items of their consolidated financial statement.

We agree with the principle of specifying such disclosure requirements. However, we have reservations on some aspects of those requirements and recommend some adjustments accordingly: the materiality threshold of 1% may be arbitrary and very low as compared to other initiatives and best practices. As a consequence, we have concerns about the excessive implementation costs that this proposed requirement may entail. We are also concerned that such a threshold would not enable users to understand what is truly material from a financial sustainability-related perspective. Consequently, we recommend the SEC be considering applying materiality thresholds similar to the ones generally used for financial reporting purposes.

3- Deferring the proposed compliance dates for the proposed disclosures by one year (starting with fiscal year 2024, filing in 2025)

The SEC proposes to require registrants to disclose the proposed climate-related information gradually from fiscal year 2023 onwards.

In our view, the SEC proposes an ambitious set of high-quality disclosures. We expect the implementation of those

requirements to necessitate time and efforts—in other words, this will be a demanding exercise. Deferring the compliance date for all disclosure requirements by one year would, in our view, help registrants implement their reporting processes and start collecting data. It would also match the CSRD implementation timetable. Accordingly, we recommend the SEC be considering deferring the compliance dates by one year (reporting year 2024).

4- Taking into consideration the CSRD legislative framework with regard to assurance

We understand that a registrant would be required to include in the relevant filing an attestation report covering the disclosure of its Scope 1 and Scope 2 emissions. The related attestation engagement would be subject to specified level of assurance:

- For large accelerated filers: (i) limited assurance would be required as from fiscal year 2024 (filed in 2025) whilst (ii) reasonable assurance would be required as from fiscal year 2026 (filed in 2027).
- For accelerated filers: (i) limited assurance would be required as from fiscal year fiscal year 2025 (filed in 2026) whilst (ii) reasonable assurance would be required as from fiscal year 2027 (filed in 2028).

The CSRD currently under finalization in the European Union tentatively requires that limited assurance be obtained for the entire sustainability reporting—thus including disclosures of a reporting entity's Scope 1 and Scope 2 emissions—starting from fiscal year 2024 (filed in 2025). Reasonable assurance will have to be provided at a later date than for SEC registrants.

We invite the SEC to consider the implications of a potential difference in scope, timing and level of assurance between the SEC's proposed rule and the EU Regulation, also in the light of preparers and auditors' level of readiness to comply with such requirements.

5- Other comments

As explained above, we support the SEC's proposal. This being said, we think that the EU proposed ESRS may be more demanding in some respects. For instance:

- Some existing EU regulations (Taxonomy regulation, Sustainable Finance Disclosure Regulation, Climate Law, etc.) introduce disclosures that may be considered useful by other jurisdictions and the omission of which by non-EU entities may create an issue (lack of attractiveness for investors and lack of comparable information),
- Under the EU proposal ESRS E1 on climate change, a reporting entity would be required to disclose more disaggregated information for (i) GhG emission reduction targets (aligned with 1.5°C scenarios) and (ii) removals and carbon credits to achieve the targets. We believe that the EU proposed level of disaggregation would better help reduce 'greenwashing'.

We suggest to consider such points in the interest of further compatibility.

In addition, we think that the disclosure requirements related to the financial statements should be limited to events that actually occurred (e.g., property loss), excluding those that did not occur (e.g., loss of revenues).

We expressed support to the ISSB's initiative to set up a working group of jurisdictional representatives— including the SEC and the European Commission—to establish dialogue for enhanced compatibility between the various jurisdictional initiatives on sustainability-related disclosures. We would also support a bilateral working group between US and the EU/EFRA to foster technical alignment. We think that such working groups would contribute positively to a global alignment.

Should you need any further information, please do not hesitate to contact me.

Yours sincerely,



Patrick de Cambourg