ACCOUNTANCY EUROPE.

Mr. Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549
United States

Submitted via email

Brussels, 16 June 2022

Subject: US SEC Climate-related disclosures Proposed Rule: Accountancy Europe Response to the question contained in paragraph n° 189

Dear Mr. Gensler,

Accountancy Europe congratulates the US Securities and Exchange Commission (SEC) on the issuance of its Proposed rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (Proposed Rule). The United Nations Intergovernmental Panel on Climate Change (IPCC) report again shows that there is no time to lose. Companies need to rapidly transform their business models if the world economy is to become sustainable.

We fully support mainstreaming environmental, social and governance (ESG) topics in corporate reporting. This will help companies transition from current linear economic models into more sustainable ones and provide investors with better information when making capital allocation decisions. In addition to the SEC's Climate-related disclosures Proposed Rule, there are other parallel initiatives aiming to streamline sustainability reporting standards, in particular those of:

- the International Sustainability Standards Board (ISSB) with its initial Exposure Drafts on Sustainability-related Financial Information and Climate-related Disclosures, and

- the European Union (EU), via the European Financial Reporting Advisory Group (EFRAG), with its European Sustainability Reporting Standards (ESRS) Exposure Drafts.

For all of these initiatives to be meaningful and fit-for-purpose for global markets, there needs to be a high degree of coordination and alignment, including of language and definitions. In this spirit, we welcome the announcement by the ISSB on 27 April of a new working group of jurisdictional representatives, of which the SEC and the EU are a part.

We appreciate the opportunity to respond below to the question posed in paragraph n° 189 of the SEC Proposed Rule.

Paragraph n° 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?

(1) Accountancy Europe fully supports the development by the SEC of an alternative reporting provision for foreign private issuers (FPIs) to encompass reports made pursuant to the criteria developed by the ISSB. This would enable convergence and further:

i. confirm to global markets that the SEC Proposed Rule and the ISSB's future standards are equivalent

ii. improve comparability between US and major non-US companies

iii. improve market efficiencies as it would help investors carry out their analysis and make decisions in a much easier and straightforward way.

It would also save financial and human resources (which are in high demand), as companies would not need to comply with different requirements to provide, in essence, the same information.

(2) We would support extending this alternative reporting provision to all registrants, in addition to FPIs. This would entail a significant step towards achieving a global reporting framework on sustainability and climate-related information.

(3) We also believe that permitting FPIs, at least, to use this alternative reporting provision should not be subject to specific conditions. It should follow a similar approach to that for International Financial Reporting Standards (IFRS) as developed by the International Accounting Standards Board (IASB).

(4) On another note, we encourage the SEC includes in the alternative reporting provision the possibility to allow FPIs to apply other sustainability reporting standards under the SEC's assessment of equivalence. Companies in the EU will be required to report under ESRS as currently stipulated in the European Commission's Corporate Sustainability Reporting Directive proposal. Allowing EU FPIs to use ESRS, should the SEC assess that the relevant parts of the ESRSs are equivalent to the Proposed Rule, would improve efficiencies and save resources for these companies.

Please do not hesitate to contact Jona Basha (jona@accountancyeurope.eu) in case of any questions or remarks.

Sincerely,

Myles Thompson
President

Olivier Boutellis-Taft
Chief Executive

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