acteo afep Mouvement des Entreprises de France

Mr Emmanuel Faber
Chair
International Sustainability Standards Board (ISSB)
Satellite Office
Opernplatz 14
60313 Frankfurt am Main
Germany

Paris, 25 July 2022

Subject: ISSB's consultation on first two draft sustainability reporting standards

Dear Chair,

Acteo (association whose object is to assure the participation of major French companies in the international harmonisation of accounting standards), AFEP (the French Association of Large Companies) and MEDEF (the Mouvement des Entreprises de France), support the work undertaken by the ISSB to establish a global baseline for sustainability reporting, starting with climate-related disclosures as a priority. Many French companies are global players operating on international markets. They consider that a global baseline is necessary to meet the needs of international investors and stakeholders. In this regard, Acteo, AFEP and MEDEF appreciate the approach adopted by the ISSB and welcome the first two exposure drafts regarding general requirements for disclosure of sustainability-related information and climate-related disclosures.

You are also aware that French companies will have to comply with the European Sustainability Reporting Standards (ESRS) under development by the EFRAG. In order to avoid excessive reporting burden, interoperability – if not equivalence – between European and International sustainability reporting standards is essential. In this regard, Acteo, AFEP and MEDEF note that the Corporate Sustainability Reporting Directive adopted by European co-legislators strengthens the requirement to take account of global standard-setting initiatives in the development of the ESRS. Likewise, we invite the ISSB to work as closely as possible with the EFRAG to maximize interoperability and, where possible, to converge. Companies should not have to report on the same topics under different standards reflecting different regulatory and/or conceptual approach. This would be counterproductive and would not provide useful information to end-users.

As regards, in particular, the two exposure drafts published for consultation, we would like to share the following key messages:

- **Regarding ED IFRS S1 on general requirements for disclosure of sustainability-related financial information**
  - **Companies would welcome clarifications regarding the scope of application of IFRS S1**: do the disclosure requirements apply to all significant sustainability risks and opportunities identified by reporting entities – including for instance social risks and opportunities although no reporting standards on social matters have yet been developed by the ISSB – or only, at this stage, to climate-related risks and opportunities?
  - Generally speaking, **companies consider that they should not be required to disclose information that could raise business secrecy and/or liability issues** (e.g.: trade-offs made by the board or impacts of sustainability-related risks and opportunities on financial performance and cash flows).
  - As regards specifically the value chain, companies consider that reporting should be restricted to upstream suppliers representing the most salient risks (which are generally tier 1 suppliers with whom the reporting entity has an established business relationship) and, downstream, should exclude end-users and customers upon which the reporting entity has little to no leverage. Furthermore, **the scope of sustainability reporting should be aligned with the scope of financial reporting**. Companies consider, in particular, that implementation of the sustainability disclosure standards would not provide relevant information if the scope of sustainability and financial reporting were not aligned. The quality of information published would indeed depend on the reporting entities' capacity to collect reliable data on risks and opportunities from their suppliers and from companies they do not control.

- **Regarding ED IFRS S2 on climate-related disclosures**
  - **Companies welcome the use of the TCFD reporting format which has been experienced by many since their first publication.** They advocate for a convergence of ESRS E1 with such a format.
  - They consider that **transition plans required from companies should reflect more precisely how they implement their best efforts as contributions to reach the objectives of the Paris Agreement** and subsequent international agreements.
  - They support that emission reductions, avoided emissions and direct as well as indirect carbon removals, including carbon offsets, **should be accounted for separately.** They consider that carbon offsets **may be taken into account** to reach companies' objectives **if:** (i) **those offsets rely on high quality criteria** to be defined within the standard (ii) the company and its auditor **justify those criteria are met, and** (iii) as long as the **separate accounting** aforementioned **is respected.**
  - Finally, they consider that **all requirements, especially those contained in industry specific guidance (Appendix B of IFRS S2), should refer exclusively to international standards (GHG Protocol, ISO 14-064-1 2018, GRI...)** and avoid "US only" standards.

You will find detailed comments on the exposure drafts in the appendices. We would like to thank you in advance for the consideration you will give to our contribution.

Yours sincerely,

Jean-Michel Etienne	**François Soulmagnon**	**Christophe Beaux**
President	Director General	Director General
Acteo	AFEP	MEDEF

Appendices

- Acteo, AFEP and MEDEF's comments on ED IFRS S1 General Requirements for Disclosures of Sustainability related Financial Information
- Acteo, AFEP and MEDEF's comments on ED IFRS S2 Climate-related Disclosures

Acteo, AFEP and MEDEF's comments on ED IFRS S1
General Requirements for Disclosures of Sustainability-related Financial Information

Question 1—Overall approach

(a) Does the Exposure Draft state clearly that an entity would be required to identify and disclose material information about all of the sustainability-related risks and opportunities to which the entity is exposed, even if such risks and opportunities are not addressed by a specific IFRS Sustainability Disclosure Standard? Why or why not? If not, how could such a requirement be made clearer?

~~Broadly Agree~~ / **Broadly Disagree** / ~~Other~~

Comments

It is indeed expressed in the exposure draft that reporting entities would be required to identify and disclose material information about all the sustainability-related risks and opportunities to which they are exposed. What this implies should however be clarified. Our understanding of the IFRS sustainability standards was that additional topics would be added over time, but that the scope of the first reports would focus on general indicators and those relating to the climate. Therefore we would welcome clarifications regarding the expected scope of reporting.

(b) Do you agree that the proposed requirements set out in the Exposure Draft meet its proposed objective (paragraph 1)? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

We consider that the proposed requirements set out in the Exposure Draft meet its proposed objective.

(c) Is it clear how the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards, including the [draft] IFRS S2 Climate-related Disclosures? Why or why not? If not, what aspects of the proposals are unclear?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

The way the proposed requirements in the Exposure Draft would be applied together with other IFRS Sustainability Disclosure Standards is clear. However, and as mentioned above, we would welcome clarifications regarding the scope of application of IFRS S1: do the requirements apply to all significant sustainability risks and opportunities identified by reporting entities - including for instance social risks and opportunities although no reporting standards on social matters have yet been developed by the ISSB - or only, at this stage, to climate-related risks and opportunities?

(d) Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

Broadly Agree / Broadly Disagree / Other

Question 2—Objective (paragraphs 1–7)

(a) Is the proposed objective of disclosing sustainability-related financial information clear? Why or why not?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

As expressed in Question 1, clarifications regarding the scope of "sustainability-related information" are necessary.

(b) Is the definition of 'sustainability-related financial information' clear (see Appendix A)? Why or why not? If not, do you have any suggestions for improving the definition to make it clearer?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

The definition itself is clear and within the framework of the general requirements it is relevant to have a global vision of the strategy. However, the level of information expected on topics that are not yet covered by IFRS Sustainability Disclosure Standards remains to be clarified.

Question 3—Scope (paragraphs 8–10)

Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general purpose financial statements in accordance with any jurisdiction's GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree that entities preparing their general purpose financial statements in accordance with any jurisdiction's GAAP should be allowed to use the Exposure Drafts' proposals.

Question 4—Core content (paragraphs 11–35)

(a) Are the disclosure objectives for governance, strategy, risk management and metrics and targets clear and appropriately defined? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we consider that the disclosure objectives for governance, strategy, risk management and metrics and targets are clear and appropriately defined.

(b) Are the disclosure requirements for governance, strategy, risk management and metrics and targets appropriate to their stated disclosure objective? Why or why not?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

We broadly agree that the disclosure requirements for governance, strategy, risk management and metrics and targets are appropriate. However, we have reservations on the following points :

- We consider that the disclosure requirements laid down in paragraph 13 (e) and 21 (c) are not appropriate. More precisely, we consider that requiring disclosure of "any assessment of trade-offs and analysis of sensitivity to uncertainty" and "trade-offs between sustainability-related risks and opportunities" would raise confidentiality issue and could be detrimental to the reporting entity (for instance in implementing a transition strategy in a specific economic sector or geographical area). Therefore, we advise the Board to delete the last sentence of paragraph 13 (e) ("including any assessment of trade-offs and analysis of sensitivity to uncertainty that may be required") as well as paragraph 21 (c) or, at least, to introduce an exemption when such disclosures raise confidentiality issue. Furthermore, the drafting of paragraph 13 should be amended to clarify whether the reporting company should describe the organisation and processes in place or the decisions taken by governance bodies.
- As regards paragraph 22:
  - Indent (a) should clearly state that when the effects of significant sustainability-related risks and opportunities are already described in the financial statements, a cross-reference would suffice to meet the disclosure requirement;
  - Indent (c) requires reporting entities to disclose the anticipated effects on the financial position of their investment plans ; this requirement could be difficult to implement and raise confidentiality issues ; therefore we advise the Board to redraft indent (c) as follows :

    "(c) how it expects its financial position to change over time, given its strategy to address significant sustainability-related risks and opportunities, reflecting:

    (i) its current and **firm** committed investment plans and their anticipated effects on its financial position (for example, capital expenditure, major acquisitions and divestments, joint ventures, business transformation, innovation, new business areas and asset retirements);

    (ii) its planned sources of funding to implement its strategy; and"
  - Based on the same rationale than mentioned above we advise the Board to delete indent (d) since this disclosure requirement could raise confidentiality and liability issues and could result in making public profit forecasts. As a matter of fact, under

European legislation a statement can be considered a profit forecast even if no particular figure is mentioned and the word profit is not used.

- Paragraph 23 requires reporting entities to disclose "a qualitative and, when applicable, a quantitative analysis of the resilience of its strategy and cash flows". The terms "when applicable" are too vague and it is not clear if they refer to the ability of the entity to produce a quantitative analysis or to the availability of data. This said requiring undertakings to publish quantitative information could raise confidentiality issue. Therefore we advise the Board to restrict the disclosures to qualitative information only and redraft paragraph 23 as follows : "An entity shall disclose information that enables users of general purpose financial reporting to understand its capacity to adjust to the uncertainties arising from significant sustainability-related risks. An entity shall disclose a qualitative ~~and, when applicable, a quantitative~~ analysis ~~of~~ **and** describe the resilience of its strategy and cash flows business model in relation to its significant sustainability-related risks, including how the analysis was undertaken and its time horizon. ~~When providing quantitative information, an entity can disclose single amounts or a range~~".
- Paragraph 30 requires reporting entities to disclose the metrics used to manage and monitor sustainability-related risks and opportunities. Reporting entities should be able to waive this requirement when disclosing such metrics raises issues in terms of confidentiality and commercial sensitivity and is detrimental to the entities.

Question 5—Reporting entity (paragraphs 37–41)

(a) Do you agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements? If not, why?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree that the sustainability-related financial information should be required to be provided for the same reporting entity as the related financial statements.

(b) Is the requirement to disclose information about sustainability-related risks and opportunities related to activities, interactions and relationships, and to the use of resources along its value chain, clear and capable of consistent application? Why or why not? If not, what further requirements or guidance would be necessary and why?

~~Broadly Agree~~ / **Broadly Disagree** / ~~Other~~

Comments

As regards specifically the value chain, companies consider that reporting should be restricted to upstream suppliers representing the most salient risks (which are generally tier 1 suppliers with whom the reporting entity has an established business relationship) and, downstream, should exclude end-users and customers upon which the reporting entity has little to no leverage. Furthermore, paragraph 40 (c) and the reference to the notion of "control" need to be clarified: eg. a reporting entity holding a non-controlling stake in an associate company does not exert control.

Companies consider that an effective and consistent application of the IFRS Sustainability Reporting Standards could be challenging if it relies on the reporting entities' capacity to collect reliable data on risks and opportunities from their suppliers, far down the value chain, and from companies they do not control. Companies consider therefore that the scope of sustainability reporting should be aligned with the scope of financial reporting.

(c) Do you agree with the proposed requirement for identifying the related financial statements? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree with the proposed requirement for identifying the related financial statements.

Question 6—Connected information (paragraphs 42–44)

(a) Is the requirement clear on the need for connectivity between various sustainability-related risks and opportunities? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, the requirement on the need for connectivity between various sustainability-related risks and opportunities is clear.

(b) Do you agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information in general purpose financial reporting, including the financial statements? Why or why not? If not, what do you propose and why?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

We broadly agree with the proposed requirements to identify and explain the connections between sustainability-related risks and opportunities and information included in financial reporting. However, connecting sustainability-related opportunities with the financial statements may not be feasible and may raise issues. Therefore, we advise the Board to introduce an exemption when such connection is not possible or raises business sensitivity issues.

Question 7—Fair presentation (paragraphs 45–55)

(a) Is the proposal to present fairly the sustainability-related risks and opportunities to which the entity is exposed, including the aggregation of information, clear? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree with the proposal to present fairly the sustainability-related risks and opportunities.

(b) Do you agree with the sources of guidance to identify sustainability-related risks and opportunities and related disclosures? If not, what sources should the entity be required to consider and why? Please explain how any alternative sources are consistent with the proposed objective of disclosing sustainability-related financial information in the Exposure Draft.

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Question 8—Materiality (paragraphs 56–62)

(a) Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree with the proposed definition and application of materiality.

(b) Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we consider that the proposed definition and application of materiality will capture the breadth of relevant sustainability-related risks and opportunities.

(c) Is the Exposure Draft and related Illustrative Guidance useful for identifying material sustainability-related financial information? Why or why not? If not, what additional guidance is needed and why?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

(d) Do you agree with the proposal to relieve an entity from disclosing information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information? Why or why not? If not, why?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree with the proposal to relieve an entity from disclosing information if local laws or regulations prohibit the entity from disclosing that information.

Question 9—Frequency of reporting (paragraphs 66–71)

Do you agree with the proposal that the sustainability-related financial disclosures would be required to be provided at the same time as the financial statements to which they relate? Why or why not?

~~Broadly Agree~~ / **Broadly Disagree** / ~~Other~~

Comments

We would welcome clarifications on the fact that when companies publish interim financial statements, they do not have to publish interim sustainability-related financial disclosures. Furthermore, we disagree with the fact that the sustainability-related financial disclosures should be required to be provided at the same time as the financial statements to which they relate. As a matter of fact, some companies publish their consolidated financial statements as soon as February, based on robust and long-established processes and organisation – including dedicated IT systems. In this regard, sustainability reporting is new and to produce sustainability reports, companies will have to implement new processes, changes in their organisation and potentially IT systems. These changes cannot be realised and achieved overnight. Requiring that sustainability-related financial disclosures be published at the same time than financial statements will put an unnecessary pressure on companies, potentially generate additional costs and be detrimental to the quality of the disclosures. We note that the Corporate Sustainability reporting Directive required sustainability disclosures to be included in the management report which in practice comes later than the financial statements.

Question 10—Location of information (paragraphs 72–78)

(a) Do you agree with the proposals about the location of sustainability-related financial disclosures? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree with the proposals about the location of sustainability-related financial disclosures.

(b) Are you aware of any jurisdiction-specific requirements that would make it difficult for an entity to provide the information required by the Exposure Draft despite the proposals on location?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

No

(c) Do you agree with the proposal that information required by IFRS Sustainability Disclosure Standards can be included by cross-reference provided that the information is available to users of general purpose financial reporting on the same terms and at the same time as the information to which it is cross-referenced? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

(d) Is it clear that entities are not required to make separate disclosures on each aspect of governance, strategy and risk management for individual sustainability-related risks and opportunities, but are encouraged to make integrated disclosures, especially where the relevant sustainability issues are managed through the same approach and/or in an integrated way? Why or why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree. The objective of having clear and understandable reporting is clearly expressed. However, this principle of integrated disclosures could be affirmed in the standard.

Question 11—Comparative information, sources of estimation and outcome uncertainty, and errors (paragraphs 63–65, 79–83 and 84–90)

(a) Have these general features been adapted appropriately into the proposals? If not, what should be changed?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

(b) Do you agree that if an entity has a better measure of a metric reported in the prior year that it should disclose the revised metric in its comparatives?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

Companies consider that the decision to restate metrics previously published should be left to their judgement based on a cost/benefit analysis. If the costs generated by the restatement overweigh the expected benefits, companies should not be required to provide revised metrics.

(c) Do you agree with the proposal that financial data and assumptions within sustainability-related financial disclosures be consistent with corresponding financial data and assumptions used in the entity's financial statements to the extent possible? Are you aware of any circumstances for which this requirement will not be able to be applied?

Broadly Agree / Broadly Disagree / Other

Question 12—Statement of compliance (paragraphs 91-92)

The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements.
The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards.

Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree.

Question 13—Effective date (Appendix B)

(a) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer, including specific information about the preparation that will be required by entities applying the proposals, those using the sustainability-related financial disclosures and others.

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

As a general principle, we consider that the effective date of any new sustainability reporting standard should be set by the ISSB three years after the standard is issued. An implementation plan could be determined and disclosure requirements would gradually be implemented over those three years. As regards the effective date of implementation of draft IFRS S1 and IFRS S2 and in order to ensure interoperability with the European Sustainability Reporting Standards (ESRS), we consider that the effective date should be aligned with the implementation date of said ESRS.

(b) Do you agree with the ISSB providing the proposed relief from disclosing comparatives in the first year of application? If not, why not?

Broadly Agree / ~~Broadly Disagree~~ / ~~Other~~

Comments

Yes, we agree.

Question 14—Global baseline

IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

~~Broadly Agree~~ / ~~Broadly Disagree~~ / **Other**

Comments

It is essential to maintain a close link with national or regional standards setters so that equivalences are established and that the definitions and perimeters are as close as possible, in order to achieve the announced objective of establishing a comprehensive baseline of sustainability-related financial information. In this regard, companies consider that the ISSB and the EFRAG should closely work together to maximize interoperability between the international and European sustainability standards and, where possible, convergence between the two standards. Another solution which could be envisaged by the Board would be to introduce an equivalence mechanism to assess and grant equivalence to the ESRS.

Question 15—Digital reporting

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Comments

We don't have any specific comments regarding the drafting of ED IFRS S1. However, once again, we insist on the need of close cooperation between the ISSB and the EFRAG to ensure interoperability, and where possible convergence, of international and European standards. As regards digitisation, cooperation should ensure that the taxonomies that will be developed by the ISSB and the EFRAG and the reporting formats are compatible, if not identical. In particular, on climate-related disclosures, it would not make sense to have 2 different taxonomies with different concepts.

Question 16—Costs, benefits and likely effects

The ISSB is committed to ensuring that implementing the Exposure Draft proposals appropriately balances costs and benefits.

(a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?

(b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?

Comments

As stated in Question 14, it is essential to establish and maintain consistency with national or regional reporting standards in order to avoid the cost of double reporting for companies. Beyond the additional cost, this risk of double reporting would affect the understanding and comparability of information.

Question 17—Other comments Do you have any other comments on the proposals set out in the Exposure Draft?

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Acteo AFEP MEDEF's comments on ED IFRS S2
Climate-related Disclosures

Question 1—Objective of the Exposure Draft

Paragraph 1 of the Exposure Draft sets out the proposed objective: an entity is required to disclose information about its exposure to climate-related risks and opportunities, enabling users of an entity's general purpose financial reporting:

- to assess the effects of climate-related risks and opportunities on the entity's enterprise value;
- to understand how the entity's use of resources, and corresponding inputs, activities, outputs and outcomes support the entity's response to and strategy for managing its climate-related risks and opportunities; and
- to evaluate the entity's ability to adapt its planning, business model and operations to climate-related risks and opportunities.

Paragraphs BC21–BC22 of the Basis for Conclusions describe the reasoning behind the Exposure Draft's proposals.

a) Do you agree with the objective that has been established for the Exposure Draft? Why or why not?
b) Does the objective focus on the information that would enable users of general purpose financial reporting to assess the effects of climate-related risks and opportunities on enterprise value?
c) Do the disclosure requirements set out in the Exposure Draft meet the objectives described in paragraph 1? Why or why not? If not, what do you propose instead and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~
Companies support the general objective.

(b) **Broadly agree** ~~/ broadly disagree / other~~

(c) **Broadly agree** / ~~broadly disagree / other~~

Question 2—Governance

Do you agree with the proposed disclosure requirements for governance processes, controls and procedures used to monitor and manage climate-related risks and opportunities? Why or why not?

Comments

Broadly agree / ~~broadly disagree / other~~

The propositions are welcome as they appear pragmatic.

Question 3—Identification of climate-related risks and opportunities

a) Are the proposed requirements to identify and to disclose a description of significant climate-related risks and opportunities sufficiently clear? Why or why not?

b) Do you agree with the proposed requirement to consider the applicability of disclosure topics (defined in the industry requirements) in the identification and description of climate-related risks and opportunities? Why or why not? Do you believe that this will lead to improved relevance and comparability of disclosures? Why or why not? Are there any additional requirements that may improve the relevance and comparability of such disclosures? If so, what would you suggest and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~

We welcome the principles-based approach embedded in the Climate ED. However, it might be difficult for a company to disclose its key climate-related opportunities as they will likely be part of the heart of the company's competitive strategy. Therefore, disclosing opportunities should be optional.

(b) **Broadly agree** / ~~broadly disagree / other~~

See answer to question (a) + additional sector specific guidance may be used to foster comparisons.

Question 4—Concentrations of climate-related risks and opportunities in an entity's value chain

a) Do you agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain? Why or why not?

b) Do you agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative rather than quantitative? Why or why not? If not, what do you recommend and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~

We agree with the proposed disclosure requirements about the effects of significant climate-related risks and opportunities on an entity's business model and value chain, provided that difference is made between segments for which an entity has full operational control and segments for which it has limited or very limited influence.

(b) **Broadly agree** / ~~broadly disagree / other~~

We agree that the disclosure required about an entity's concentration of climate-related risks and opportunities should be qualitative as a first step rather than quantitative. Some quantitative disclosures may be included in ISSB workplan in order to improve comparability when possible.

Question 5—Transition plans and carbon offsets

a) Do you agree with the proposed disclosure requirements for transition plans? Why or why not?

b) Are there any additional disclosures related to transition plans that are necessary (or some proposed that are not)? If so, please describe those disclosures and explain why they would (or would not) be necessary.

c) Do you think the proposed carbon offset disclosures will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the credibility of those carbon offsets? Why or why not? If not, what do you recommend and why?

d) Do you think the proposed carbon offset requirements appropriately balance costs for preparers with disclosure of information that will enable users of general purpose financial reporting to understand an entity's approach to reducing emissions, the role played by carbon offsets and the soundness or credibility of those carbon offsets? Why or why not? If not, what do you propose instead and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~

We agree with the proposed disclosure requirements for transition plans. However, the transition plans should provide more information on the way they reflect companies' best efforts to contribute efficiently to the objective of the Paris Agreement (and subsequent Agreements if any).

(b) **Yes** / ~~No / Other~~

Those information seem sufficient.

(c) ~~Broadly agree /~~ **broadly disagree** / ~~other~~

Companies might use offsets as a contribution to their objectives, but those offsets should only be used to compensate the residual emissions that companies cannot reduce by implementing their best efforts. Companies consider that emission reductions, avoided emissions and direct as well as indirect carbon removals, including carbon offsets, should be accounted for separately. Carbon offsets may be taken into account to reach companies' objectives if: (i) those offsets rely on high quality criteria to be defined within the standard such as additionality and sustainability of the offset (ii) the company and its auditor justify those criteria are met and (iii) as long as the separate accounting aforementioned is respected.

(d) ~~Broadly agree~~ / **broadly disagree** / ~~other~~
See answer to question (c).

Question 6—Current and anticipated effects

a) Do you agree with the proposal that entities shall disclose quantitative information on the current and anticipated effects of climate-related risks and opportunities unless they are unable to do so, in which case qualitative information shall be provided (see paragraph 14)? Why or why not?
b) Do you agree with the proposed disclosure requirements for the financial effects of climate-related risks and opportunities on an entity's financial performance, financial position and cash flows for the reporting period? If not, what would you suggest and why?
c) Do you agree with the proposed disclosure requirements for the anticipated effects of climate-related risks and opportunities on an entity's financial position and financial performance over the short, medium and long term? If not, what would you suggest and why?

Comments

(a) ~~Broadly agree~~ / **broadly disagree** ~~/ other~~
Quantitative information on the anticipated effects of climate-related risks and opportunities are extremely difficult to provide with enough reliability and common methodologies still lack up to now. Disclosing information on opportunities may also conflict with obligations of confidentiality. In addition, clarification is needed to define when a company would be deemed as unable to provide such information and/or under which circumstances this would be expected.

(b) **Broadly agree** / ~~broadly disagree / other~~

(c) **Broadly agree** / ~~broadly disagree / other~~

Question 7—Climate resilience

a) Do you agree that the items listed in paragraph 15(a) reflect what users need to understand about the climate resilience of an entity's strategy? Why or why not? If not, what do you suggest instead and why?
b) The Exposure Draft proposes that if an entity is unable to perform climate- related scenario analysis, that it can use alternative methods or techniques (for example,

qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) instead of scenario analysis to assess the climate resilience of its strategy.

i) Do you agree with this proposal? Why or why not?

ii) Do you agree with the proposal that an entity that is unable to use climate-related scenario analysis to assess the climate resilience of its strategy be required to disclose the reason why? Why or why not?

iii) Alternatively, should all entities be required to undertake climate-related scenario analysis to assess climate resilience? If mandatory application were required, would this affect your response to Question 14(c) and if so, why?

c) Do you agree with the proposed disclosures about an entity's climate-related scenario analysis? Why or why not?

d) Do you agree with the proposed disclosure about alternative techniques (for example, qualitative analysis, single-point forecasts, sensitivity analysis and stress tests) used for the assessment of the climate resilience of an entity's strategy? Why or why not?

e) Do the proposed disclosure requirements appropriately balance the costs of applying the requirements with the benefits of information on an entity's strategic resilience to climate change? Why or why not? If not, what do you recommend and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~
We agree.

(b) Climate scenarios should be at the heart of the company's own analysis about its resilience to climate risks and to seize opportunities. Yet, scenario analysis is a very difficult process to set up at company level. AFEP advocated the use of scenario analysis in a special report published in November 2019 to help AFEP members integrate internal and external scenario analysis.

i. We agree with the proposal.

ii. We agree with the proposal. In addition, the company should be able to explain its agenda to perform scenario analysis in a future timeframe.

(c) **Broadly agree** / ~~broadly disagree / other~~
We support this disclosure. However, it would be useful that scenario analysis be driven by the use of a scenario enabling the company to contribute to the objectives of the Paris Agreement.

(d) **Broadly agree** / ~~broadly disagree / other~~
We agree. However, a company unable to perform scenario analysis should be able to explain its agenda to perform scenario analysis in a future timeframe.

(e) **Broadly agree** ~~/ broadly disagree / other~~
Yes, we believe the balance between the costs and the benefits is right.

Question 8—Risk management

Do you agree with the proposed disclosure requirements for the risk management processes that an entity uses to identify, assess and manage climate-related risks and opportunities? Why or why not? If not, what changes do you recommend and why?

Comments

Broadly agree / ~~broadly disagree / other~~ We agree with the proposed disclosure requirements.

Question 9—Cross-industry metric categories and greenhouse gas emissions

a) The cross-industry requirements are intended to provide a common set of core, climate-related disclosures applicable across sectors and industries. Do you agree with the seven proposed cross-industry metric categories including their applicability across industries and business models and their usefulness in the assessment of enterprise value? Why or why not? If not, what do you suggest and why?

b) Are there any additional cross-industry metric categories related to climate-related risks and opportunities that would be useful to facilitate cross-industry comparisons and assessments of enterprise value (or some proposed that are not)? If so, please describe those disclosures and explain why they would or would not be useful to users of general purpose financial reporting.

c) Do you agree that entities should be required to use the GHG Protocol to define and measure Scope 1, Scope 2 and Scope 3 emissions? Why or why not? Should other methodologies be allowed? Why or why not?

d) Do you agree with the proposals that an entity be required to provide an aggregation of all seven greenhouse gases for Scope 1, Scope 2, and Scope 3—expressed in CO2 equivalent; or should the disclosures on Scope 1, Scope 2 and Scope 3 emissions be disaggregated by constituent greenhouse gas (for example, disclosing methane (CH4) separately from nitrous oxide (NO2))?

e) Do you agree that entities should be required to separately disclose Scope 1 and Scope 2 emissions for:
   i) the consolidated entity; and
   ii) for any associates, joint ventures, unconsolidated subsidiaries and affiliates? Why or why not?

f) Do you agree with the proposed inclusion of absolute gross Scope 3 emissions as a cross-industry metric category for disclosure by all entities, subject to materiality? If not, what would you suggest and why?

Comments

(a) **Broadly agree** / ~~broadly disagree / other~~

We agree with the seven proposed cross-industry metric categories. However, the disclosure should only apply at group level and not for "associates, joint ventures, unconsolidated companies" and significant scope 3 emissions. Companies consider the publication of GHG emissions per unit of physical or economic output will not enable relevant comparisons between companies belonging to different sectors.

(b) **Yes** / ~~no / other~~

ISSB may require the disclosure of the GHG intensity expressed as metric tons of CO_2 per physical or economic output

(c) **Broadly agree** ~~/ broadly disagree / other~~

We agree that entities should be required to use the GHG Protocol. The use of ISO 14064-1 (2018) should also be made possible. Companies stress the need to report only on significant scope 3 emissions referring to one of those standards or any other internationally recognized standard (such as the GRI).

(d) **Broadly agree** / ~~broadly disagree / other~~

A sum of all GHG should be favoured as it will give a better global view of impacts for investors. A breakdown in all seven GHG should be optional.

(e) ~~Broadly agree /~~ **broadly disagree** / ~~other~~

Disclosure should follow the same principles that are used for financial reporting. Entities outside the financial reporting consolidation perimeter should not be included.

(f) **Broadly agree** ~~/ broadly disagree / other~~

We support this proposition. A publication of scope should be required only for significant emissions and a publication should differentiate upstream and downstream emissions, separated by GHG, and with a split of the emissions in estimated/measured/assured.

Question 10—Targets

a) Do you agree with the proposed disclosure about climate-related targets? Why or why not?

b) Do you think the proposed definition of 'latest international agreement on climate change' is sufficiently clear? If not, what would you suggest and why?

Comments

(a) **<u>Broadly agree</u>** / ~~broadly disagree / other~~

We generally agree with the proposed disclosure about climate-related targets. Precisions should be required in terms of :

- Associated scenario(s) to the selected target;
- Scope of the target (1, 2, specific scope 3 categories);
- Methodologies for GHG emissions factors;
- Assumptions and uncertainties associated with the target.

(b) ~~Broadly agree /~~ **<u>broadly disagree</u>** ~~/ other~~

It would be clearer to refer to the company's best efforts to contribute to the Paris Agreement (and if any, further international Agreement).

Question 11—Industry-based requirements

a) Do you agree with the approach taken to revising the SASB Standards to improve the international applicability, including that it will enable entities to apply the requirements regardless of jurisdiction without reducing the clarity of the guidance or substantively altering its meaning? If not, what alternative approach would you suggest and why?

b) Do you agree with the proposed amendments that are intended to improve the international applicability of a subset of industry disclosure requirements? If not, why not? Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

c) Do you agree that the proposed amendments will enable an entity that has used the relevant SASB Standards in prior periods to continue to provide information consistent with the equivalent disclosures in prior periods? If not, why not?

d) Do you agree with the proposed industry-based disclosure requirements for financed and facilitated emissions, or would the cross-industry requirement to disclose Scope 3 emissions (which includes Category 15: Investments) facilitate adequate disclosure? Why or why not?
Please select which industries you would like to comment on. If you would like to comment on all industries select 'All industries'.

e) Do you agree with the industries classified as 'carbon-related' in the proposals for commercial banks and insurance entities? Why or why not? Are there other industries you would include in this classification? If so, why?

f) Do you agree with the proposed requirement to disclose both absolute- and intensity-based financed emissions? Why or why not?

g) Do you agree with the proposals to require disclosure of the methodology used to calculate financed emissions? If not, what would you suggest and why?

h) Do you agree that an entity be required to use the GHG Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard to provide the proposed disclosures on financed emissions without the ISSB prescribing a more specific methodology (such as that of the Partnership for Carbon Accounting Financials

(PCAF) Global GHG Accounting & Reporting Standard for the Financial Industry)? If you don't agree, what methodology would you suggest and why?

i) In the proposal for entities in the asset management and custody activities industry, does the disclosure of financed emissions associated with total assets under management provide useful information for the assessment of the entity's indirect transition risk exposure? Why or why not?

j) Do you agree with the proposed industry-based requirements? Why or why not? If not, what do you suggest and why?

k) Are there any additional industry-based requirements that address climate-related risks and opportunities that are necessary to enable users of general purpose financial reporting to assess enterprise value (or are some proposed that are not)? If so, please describe those disclosures and explain why they are or are not necessary.

l) In noting that the industry classifications are used to establish the applicability of the industry-based disclosure requirements, do you have any comments or suggestions on the industry descriptions that define the activities to which the requirements will apply? Why or why not? If not, what do you suggest and why?

Comments

(a) ~~Broadly agree / broadly disagree /~~ **other**

We support the approach to improve international applicability to enable undertakings to apply the requirements regardless of jurisdiction.

SASB standards have a US focus and in-depth assessments per industry are needed. Indeed, appendix B still contains many references to US Regulations only; those references should be replaced by international references. We urge the ISSB to conduct fieldwork and dedicated outreach to industries to refine the standards.

ISSB should allow companies to use other relevant and broadly accepted metrics beyond and complementary to SASB. ISSB should also allow companies to use other recognized international methodologies (in addition to the GHG Protocol) such as ISO standard 14064-1 (2018).

ISSB maintained other metrics than climate such as use of water and marine resources in this Appendix B while it should remain focused on climate.

Finally, in view of interoperability between ISSB and EFRAG standards on climate, it seems necessary to coordinate the application of more sectoral approaches. As at this stage, EFRAG sectoral standards are not yet submitted to public consultation, ISSB should delay its on own consultation on appendix B and resume it when EFRAG sectoral standards consultation is launched.

(b) ~~Broadly agree / broadly disagree /~~ **other**

Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(c) ~~Broadly agree / broadly disagree~~ / **other**

Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(d) ~~Broadly agree / broadly disagree /~~ **other**
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(e) ~~Broadly agree / broadly disagree~~ / **other**
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(f) **Broadly agree** / ~~broadly disagree / other~~

(g) **Broadly agree** / ~~broadly disagree / other~~

(h) **Broadly agree** / ~~broadly disagree / other~~

(i) ~~Broadly agree / broadly disagree~~ / **other**
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(j) ~~Broadly agree / broadly disagree~~ / **other**
See answer to question (a) for general principle.
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(k) ~~Yes / no /~~ **other**
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

(l) ~~Yes / no /~~ **other**
Acteo, AFEP and MEDEF are cross-sectoral Associations: answers to this question are directly dealt by sector-specific business associations.

Question 12—Costs, benefits and likely effects

a) Do you have any comments on the likely benefits of implementing the proposals and the likely costs of implementing them that the ISSB should consider in analysing the likely effects of these proposals?
b) Do you have any comments on the costs of ongoing application of the proposals that the ISSB should consider?
c) Are there any disclosure requirements included in the Exposure Draft for which the benefits would not outweigh the costs associated with preparing that information? Why or why not?

Comments

(a) We refer to our answers on questions 14 and 16 in the Exposure Draft of IFRS S1.

(b) We refer to our answers on questions 14 and 16 in the Exposure Draft of IFRS S1.

(c) ~~Yes / no /~~ <u>**other**</u>

It is too early to claim that DR included in the ED may show benefits which would not outweigh the costs associated with preparing that information. Indeed, an important attention should be paid to the disclosure of scope 3 emissions to ensure that the costs of data collection for those emissions would not be excessive. Annex H of ISO 14064-1 (2018) specifically provides indications to avoid such a risk. It is also essential to establish and maintain consistency with national or regional reporting standards in order to avoid the costs of double reporting for companies. Beyond the additional costs, this risk of double reporting would affect the understanding and comparability of information.

Question 13—Verifiability and enforceability

Are there any disclosure requirements proposed in the Exposure Draft that would present particular challenges to verify or to enforce (or that cannot be verified or enforced) by auditors and regulators? If you have identified any disclosure requirements that present challenges, please provide your reasoning.

Comments

~~Yes / no /~~ <u>**other**</u>

Verification by auditors should provide comfort and confidence to investors while assessing and using sustainability information. However, as methodologies to be applied may be considered as new and as there will be a significant number of qualitative information complemented by estimated data, verification processes will not be easy to be implemented. In order to facilitate this process, preparers should disclose methodologies used and key assumptions, including the level of uncertainty of quantified information. To this extent, EU companies reporting under the new European framework should be regarded as compliant with ISSB standards.

Question 14—Effective date

a) Do you think that the effective date of the Exposure Draft should be earlier, later or the same as that of [draft] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information? Why?

b) When the ISSB sets the effective date, how long does this need to be after a final Standard is issued? Please explain the reason for your answer including specific information about the preparation that will be required by entities applying the proposals in the Exposure Draft.

c) Do you think that entities could apply any of the disclosure requirements included in the Exposure Draft earlier than others? (For example, could disclosure requirements related to governance be applied earlier than those related to the resilience of an entity's strategy?) If so, which requirements could be applied earlier and do you believe that some requirements in the Exposure Draft should be required to be applied earlier than others?

Comments

(a) ~~Earlier / Later~~ / **The same as**

The effective date of the General Requirements ED should be aligned with the effective date of the Climate ED to the extent to which they are interlinked. In order to ensure international consistency, ISSB should also align its application date with the EU's CSRD.

(b) In order to ensure international consistency, ISSB should also align its application date with the EU's CSRD.

(c) ~~Broadly agree / broadly disagree~~ / **other**

Entities may publish DR earlier than others. However, there should be no requirement to choose to select those DR which may be published earlier.

Question 15—Digital reporting

Do you have any comments or suggestions relating to the drafting of the Exposure Draft that would facilitate the development of a Taxonomy and digital reporting (for example, any particular disclosure requirements that could be difficult to tag digitally)?

Comments

We insist on the need of close cooperation between the ISSB and the EFRAG to ensure interoperability, and where possible convergence, of international and European standards. As regards digitisation, cooperation should ensure that the taxonomies that will be developed by the ISSB and the EFRAG and the reporting formats are compatible, if not identical. In particular on climate-related disclosures, it would not make sense to have 2 different taxonomies with different concepts.

Question 16—Global baseline

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead and why?

Comments

~~Yes / no /~~ **other**

It is essential to maintain a close link with national or regional standards setters so that equivalences are established and that the definitions and perimeters are as close as possible, in order to achieve the announced objective of establishing a comprehensive baseline of sustainability-related financial information. In this regard, companies consider that the ISSB and the EFRAG should closely work together to maximize interoperability between the international and European sustainability standards and, where possible, convergence between the two standards. Another solution which could be envisaged by the Board would be to introduce an equivalence mechanism to assess and grant equivalence to the ESRS E1.

Question 17—Other comments

Do you have any other comments on the proposals set out in the Exposure Draft?

Comments

Close cooperation between the ISSB and the IASB is vital to ensure that climate reporting is pragmatic, is used and is efficient in terms of low carbon investments decision making.
In this view, field testing might be a useful tool in order to test general concepts before their large scale dissemination. The worst scenario for climate reporting would be to lead to a "tick in the box" system that would not foster relevant low carbon reporting.

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