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FRENCH AMF RESPONSE TO THE ISSB'S CONSULTATION ON THE EXPOSURE DRAFTS 'IFRS S1 GENERAL REQUIREMENTS FOR DISCLOSURE OF SUSTAINABILITY-RELATED FINANCIAL INFORMATION' AND 'IFRS S2 CLIMATE-RELATED DISCLOSURES'

Appendix to the position paper – specific comments on IFRS S1 and IFRS S2

This Appendix complements and should be read in conjunction with the AMF's **position paper** on the ISSB Consultation.

EXPOSURE DRAFT IFRS S1 – GENERAL REQUIREMENTS FOR DISCLOSURE OF SUSTAINABILITY-RELATED FINANCIAL INFORMATION

Question 1 (overall approach)

1. In terms of approach, the AMF believes that the ISSB global baseline would soon benefit from further embracing, beyond enterprise value vision, the impacts of companies themselves on people, the planet and the economy through their direct activities and their value chain. The AMF is convinced that **only a "double materiality" approach is capable of addressing the interests and needs of stakeholders as a whole** (including, but not limited to, investors), as opposed to a strict financial materiality approach.

   Second, the AMF is very much hoping that the ISSB will deliver shortly on a sector-agnostic standard covering a **broad spectrum of ESG topics**, once again with the aim of providing comprehensive sustainability information to investors and other stakeholders

2. The AMF calls for convergence and consistency between ISSB standards and other standard-setting initiatives, namely in EU. To ensure the interoperability with the EU framework, a precise **mapping of the requirements of ISSB's standards and EU's standards** would be useful for preparers and investors. More specifically, companies and investors should be able to identify where ISSB's and EFRAG's general requirements and climate-related disclosure requirements converge or diverge, including on technical aspects such as on terminologies, concepts used, and methodological principles for metrics and targets. This **joint exercise** to be performed together with EFRAG would also benefit both standard-setters, as it would help to identify and prioritize areas where convergence could be reached or sought.

3. The AMF suggests providing for a **definition of the term "sustainability".** Absent such a definition, the comparability of information from reporting entities may fall short of the pursued objective and uncertainty may prevail on the scope of matters covered and to be reported under IFRS S1. The AMF recommends that convergence be sought on the boundaries of "sustainability", for example by integrating the whole range of environmental, social and governance factors, as envisioned in the EU Corporate Sustainability Reporting Directive.

Question 2 (Objective)

4. In relation to the **objective of the sustainability information**, there seems to be an inconsistency between the first paragraph of IFRS S1 and the definition of "*Sustainaibility financial disclosures'* given in Appendix A. Indeed, paragraph 1 refers to the usefulness of the information to the primary users both to assess enterprise value *and* to decide whether to provide ressources to the entity. However, the definition in Appendix A is limited to "*assess enterprise value*". The AMF recommends that objective, definitions and requirements be aligned throughout the standards, and that the concept of "decision for providing resources" be better reflected.

5. In the AMF's view, the **distinction between "sustainability related financial information" and "sustainability related financial disclosures"** in the Appendix A should be clarified. The standard itself is labelled "sustainability related financial information" whereas it seems to cover "sustainability related financial disclosures", as per the definition of this last notion in the appendix A. In addition, paragraph 6 precising the content of "sustainability related financial information" does not clearly set the difference with the definition of "sustainability related financial disclosures" in appendix A. If both notions were to be retained, they should be more clearly defined, distinguished, and used consistently throughout the standards.

Question 4 (Core content)

6. A **definition of "resources**" would be useful for paragraph 17, in order to clearly differentiate this notion (wider definition) from the notion of "financial resources" used in other part of this standard.

7. The AMF supports the principle-based approach of IFRS S1 regarding the definition of short-, medium- and long-term time horizons (in paragraphs 16 and 18), as it gives necessary flexibility to issuers to adapt the disclosure to their specific context and activities. However, **more illustrative guidance explaining how to define appropriate time horizons** could be helpful to foster consistent application. This guidance could also be adapted to the different sustainability topics, where necessary.

8. To understand the company's sustainability-related risks and opportunities, it is necessary to have a **good understanding of the key features of the company's business model and of its value chain.** The AMF suggests requiring the presentation of a brief overview of companies' business model and value chain, as a context for their sustainability reporting. For instance, it seems useful to contextualise the information required under paragraph 20 (e.g. "*an entity shall disclose (…) where in its value chain significant sustainability risks and opportunities are concentrated"*). This is also in line with EFRAG's ESRS 2 approach.
   Such information on business model and value chain may already be presented in other parts of the general purpose financial reporting, for instance, in the management commentary. In such cases, to enhance the connectivity of the sustainability statement with other financial information, the AMF suggests requiring companies to include the information in their sustainability reporting, by cross-referencing to the existing information.

9. In paragraph 22 on "**financial position, financial performance and cash-flow**", the AMF suggests some **clarifications**, in particular in relation to the connectivity with financial statements. First, in paragraph 22(a), it may be useful to clarify that companies are required to include cross-references to the corresponding elements in the financial statements ("most recently reported financial position, performance and cash-flow") to avoid duplication of information.
   In addition, in paragraph 22(b), it seems necessary to clarify how this information interacts (or differs from) the information that may already be provided in the financial statements in application of IAS 1, paragraph 125.

10. **Further guidance** is needed to ensure the consistent implementation of paragraphs 22(c) and (d) on how companies could analyze, compute and present the anticipated effects of sustainability-related risks and opportunities on their financial position/performance. This would help companies to prepare this complex information and ensure better-quality reporting.
For that purpose, the AMF invites the ISSB to work closely with other standard-setters, namely EFRAG, to develop common approach for the different sustainability matters – and, for climate, to consider the guidance proposed by EFRAG under ESRS E1 in relation to potential financial effects from climate transition and physical risks, and climate-related opportunities.

Clarifications would be useful on whether the information required on "the change over time" in paragraphs 22(c) and (d) should cover the short, medium and long term horizons.
The AMF also considers important to clarify whether the current and anticipated financial effects of sustainability matters (including climate) are to be presented and computed on a gross or net basis, i.e. whether or not these financial effects take into account the actions undertaken to mitigate the sustainability risks.
Finally, companies should also be required to disclose their methodologies, key assumptions and uncertainties if any, for these metrics.

These comments also apply to IFRS S2 and its corresponding paragraphs 14(a), (b) and (c).

11. In relation to the **resilience analysis,** in paragraph 23, it would be useful to specify that companies have to be transparent on the main assumptions, methodologies and uncertainties when disclosing the resilience analysis with regards any sustainable matter, as these are key for an understanding of the analysis made and its outcome. The same clarification as above with regards the "gross" or "net" basis (before or after mitigation actions) for the resilience analysis would be also useful in paragraph 23. These comments also apply to IFRS S2 and its corresponding paragraph 15.

12. In the risk management section, in relation to the **identification of material risks and opportunities** (i.e the materiality assessments), the AMF suggests several clarifications:
    - The AMF believes that the disclosure requirements of paragraph 26(b)(iii) and (iv) on the assessment of material risks should also apply to paragraph 26(a) on the identification of sustainability-related risks and opportunities. For instance, transparency on the data sources, scope of operation covered is relevant to understand how the company has screened its risks and opportunities.
    - In paragraph 26 (b) the AMF suggests the following changes: *"(…) to identify material sustainability-related risks ~~for risk management purposes,~~ including when applicable"*. Indeed, it is critical to understand, in general, how companies define the materiality of the different risks identified in point (a), whether it is for "risk management purposes" or not (some material risks might not always be covered by risk management, and conversely nothing prevent entities from taking actions on non-material risk).
    - In paragraph 26 (b) (i), in relation to the identification of risks and opportunities, the AMF suggests to clarify that the material risks and opportunities identification process (materiality assessment) conducted by entities shall take into account short-, medium- and long-term time horizons.
    - It seems necessary to slightly adjust paragraph 26(c) and delete the term "identify", as it is already covered in paragraph 26(a) (ii).

    In general, the AMF is of the view that further guidance should be provided on how to conduct the materiality assessment (processes to identify, assess, prioritise risks and opportunities), and that the ISSB should seek common grounds with EFRAG in this area (please refer to **Question 8** for more details).

13. To ensure the understandability, reliability and foster the comparability of information provided, it is essential to **require information on the definition, underlying inputs, methodologies,** uncertainties if any, associated with metrics and targets used. Therefore, the AMF suggests that the requirement of paragraph 31 which currently only focuses on metrics "developed by the entity" (i.e. entity-specific) is extended to cover all metrics/targets included in the sustainability statement (i.e. to cover metrics

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referred to in paragraph 28). This is all the more important given that some cross-industry metrics and their methodologies are not yet precisely defined and considering the lack of methodological clarity for certain complex metrics.

These comments also apply for IFRS S2 (in particular, IFRS S2 paragraph 21).

Question 5 (Reporting entity)

14. In Appendix A, the **definition of "reporting entity**" could be completed as follows: "*An entity that is required, <u>or chooses,</u> to prepare general purpose financial statements or sustainability-related financial disclosures".*

15. In paragraph 38, the requirement to "disclose the financial statements to which sustainability-related financial disclosures relate" is unclear, considering that the financial statement is usually disclosed elsewhere. The AMF suggests to require instead the disclosure of "<u>*the nature and period of financial statements*</u>" .

16. It would be helpful to highlight the differences between the two following notions: the **reporting entity** (i.e. same perimeter as for the consolidated financial statements) and **the reporting boundary**, which may be larger, as company for instance, look at sustainability risks and opportunities throughout their value chain (e.g. reporting on scope 3 GHG emissions).

17. In paragraph 40, the **notion of control** is not fully aligned with the notion of control used for financial statements as it includes for example joint ventures and associates, which are by definition "not controlled" by the entity under IFRS 10. To avoid any confusion, it would be useful to define "control", or use a different term, in the specific context of paragraph 40 for determining reporting boundary.

18. It would be useful to clarify the **definition of "other financed investments**" referred to in paragraph 41.

19. As a general comment, given the importance of reporting boundary for sustainability reporting, the AMF encourages the ISSB to reach a **common ground with EFRAG** on the definition of this notion, especially how and to what extent the value chain is covered.

Question 6 (Connected information)

20. In line with paragraph 43, to support preparers in providing sufficiently connected and therefore consistent information (i.e. describe the relationship between the different pieces of the sustainability statements), the AMF recommends the ISSB **to include in the standards themselves** more "**internal" cross-references to highlight the possible connections between the different sections** of the core content of the standard. This approach could also limit the risk of redundancies. For instance, there could be useful connections between information on strategy and decision-making in paragraph 21 (e.g. how the entity is responding to risks) and the information on the financial position in paragraph 22 (e.g. "the planned sources of funding to implement the strategy"). It would also be useful to emphasis the link between paragraph 26 (points a to c, description of the risks/opportunities identification processes) and paragraphs 16 to 19 (the outcome of these processes: description of the material risks and opportunities).

21. For consistency purposes, the AMF suggests that data and assumptions used, as well as qualitative and quantitative information provided in the sustainability financial disclosures are **consistent, to the greatest extent possible, to** those used and presented in the **financial statements and in the management report**. This should be clarified in paragraph 42.

Question 7 (Fair presentation)

22. In relation to paragraphs 51 and 54 and other "sources" of information, the AMF considers key to clarify how and, most importantly, to what extent companies have to review and screen exhaustively these additional sources to identify material sustainability matters and the corresponding disclosures. In addition, a reference is made to industry-based SASB standards in paragraph 51(a): the interaction between the industry-specific standards derived from SASB standards, included in Appendix B of IFRS S2 should be clarified.

Question 8 (Materiality)

23. In terms of approach, the AMF believes that the ISSB global baseline would benefit, in a not-too-distant future, from further embracing, beyond enterprise value vision, the impacts of companies themselves on people, the planet and the economy through their direct activities and their value chain. The AMF is convinced that only a "double materiality" approach is capable of addressing the interests and needs of stakeholders, including investors, as opposed to a strict financial materiality approach.

24. Materiality assessment is at the core of the reporting exercise. In general, the AMF considers that the standard could benefit from providing further guidance on **how to conduct a financial materiality assessment** on the description of the processes conducted to identify material risks and opportunities, to help with the consistent implementation of the standard. For instance, guidance could be useful on the qualitative and quantitative factors to be considered to assess the significance of risks and opportunities, and how the corresponding criteria or threshold could be determined. Paragraph 58 states that "*materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both*": the notion of "nature could be clarified with illustrative guidance. In addition, the **identification process of the sustainability impacts of the company that can be material from an enterprise-value perspective** should also be clarified.

    In this respect, we **encourage the ISSB to work closely with EFRAG and GRI** to develop consistent guidance on how to conduct the financial materiality assessment. Highlighting the connections between the concept of "enterprise value creation" defined by the ISSB and the notion of financial materiality used by EFRAG would be welcomed. The ISSB could consider the existing guidance provided by the draft EU ESRS (to be further developed by EFRAG) on the process of identification of impacts. The latter process is indeed an essential first-step to assess the company's material risks in a more comprehensive manner, as some of these impacts could translate into material risks or opportunities for the company. Common grounds with EFRAG's European sustainability reporting standards (ESRS) can be achieved through the identification of sustainability impacts that can be material both from an enterprise-value perspective and an impact perspective.

25. Paragraph 57 gives an example of material sustainability-related risk or opportunity with high impact but low probability outcomes. The AMF believes that the ISSB could also consider the **materiality of high-probability risks and opportunities** (ex: impacts of climate change) with low or moderate financial effects on the company (ex : climate change transition net risk is very likely to occur but the entity has already implemented an adequate strategy implying moderate (net) financial effects on the company).

26. The AMF recommends clarifying the **meaning of the terms "significant" and "material"** and ensuring that both terms are used consistently throughout the standards. In this regard, when mentioning "risks and opportunities", IFRS S1 and S2 should always refer to *material* risks and opportunities.

Question 9 (Frequency of reporting)

27. In relation to paragraph 68, the AMF understands that the standard does not preclude the use of 52-weeks reporting. The AMF suggests reiterating in this paragraph the key principle that period used in sustainability reporting should squarely match to the period used in financial statements, whether it is year, months or weeks (no rolling period).

Question 10 (Location of information)

28. The AMF recommends that the standard indicates, as the preferred option, an **integration of the sustainability statement in the management commentary** or equivalent report (without prejudice to specific legal constraints in some jurisdictions). The location within the management commentary could increase the connectivity with financial information or other key contextual information, such as the description of the business model, and provide a more comprehensive understanding of sustainability issues. In addition, the AMF suggests addressing the inconsistency in the definition of "General purpose financial reporting" in Appendix A that does not include the management commentary, whereas it is mentioned in the exposure draft.
29. Finally, the AMF suggests requiring the publication of a **reference table** in the company's sustainability report, so that **all information required by IFRS S1 and S2 is clearly identifiable**. This is particularly useful given that some elements may be incorporated by reference to other sections of management report or to financial statements.

Question 11 (Comparative information, sources of estimation and outcome uncertainty and errors)

30. In relation to the "**use of reasonable estimates**" and outcome uncertainty, it seems necessary to specify in paragraph 79 that all estimations/approximations used shall allow for a faithful representation of sustainability related risks and opportunities (in addition to the "usefulness of the information").

31. With regards to **"outcome uncertainty"**, the AMF believes that it is not necessary to specify "*when there is significant outcome uncertainty*" at the end of paragraph 83, as **information on assumptions made about the future**, related to sustainability risks and opportunities can be material regardless of the significance of the outcome uncertainty.

32. It may be useful that the ISSB provides some requirements related to the necessary update of disclosures, depending on **adjusting and non-adjusting features of events** *after the Reporting Period*, similar to provisions under IAS 10. Relevant sustainability-related events occurring after the end of the reporting period but before the sustainability disclosures are issued should be presented and considered in the sustainability reports to ensure a faithful representation of the company's sustainability risks and opportunities.

EXPOSURE DRAFT IFRS S2 – CLIMATE-RELATION DISCLOSURES

General observations

33. Please note that **the comments above related to IFRS S1 also apply for IFRS S2** as the latter is generally based on the structure and content of IFRS S1.

34. As a general remark that applies to several sections of the IFRS S2, the AMF encourages the ISSB to **develop further guidance to clarify some disclosure requirements, especially metrics, and complex analyses to be carried out,** such as scenario analysis and resilience assessment, calculation of current

and anticipated financial effects of climate change, etc. Setting specific methodological principles and providing additional illustrative examples will help companies to understand these new requirements and enable the disclosure of more comparable data for users. For that purpose, the AMF invites the ISSB to consider the guidance proposed by EFRAG under ESRS E1 for different metrics, for example in relation to potential financial effects from climate transition and physical risks, and climate-related opportunities.

Question 5 (Transition plans and offsets)

Transition plans

35. **Transition plans represent a crucial component of an entity's climate strategy**. Investors, among other stakeholders, are interested in understanding how a company plans to face climate change and adapt its strategy and business model to its climate-related risks and opportunities. The AMF is of the view that in case a company does not have or not yet have a transition plan, some minimum disclosure should be required on "*whether and* (if so) *when the company will adopt a transition plan*". In addition, these companies should be required to explain instead their approach taken to climate-transition risks (including absolute GHG emissions reduction) considering the eventual material climate-related risks and opportunities identified.

36. To ensure high-quality reporting and consistent implementation of the requirements, the AMF believes that it is critical to define more precisely the notion of "transition plan" (in Appendix A). As currently defined in the Exposure Drafts, transition plans may lack credibility and be permeable to greenwashing allegations. The AMF recommends that, in this definition, **absolute GHG emission reduction actions are presented as a core feature of transition plans rather than just as an example**. For instance, a company with a plan to reduce its GHG emission intensity only, with no intended GHG emission reduction in absolute value would not be able to label its plans as a "transition" plan. Another example would be a company with only avoided emission targets or offsetting targets only (actions outside of the value chain) and no plan related to GHG emission reduction within the value chain. The AMF therefore suggests the following definition : "*Transition plan: an aspect of an entity's overall strategy that lays out the entity's targets and actions for its transition towards a lower-carbon economy, including targets and actions ~~such as~~ reducing its absolute greenhouse gas emissions."*

37. The AMF believes that it would also be clearer to **specifically refer to "transition plans"** in paragraph 13(a). Ex: "*how it plans to achieve any climate-related targets, including transition plans*".

38. In addition, the AMF proposes to strengthen the transparency requirements on transition plans to better reflect the importance of the analysis of **locked-in GHG emissions** to assess climate transition risks. In line with EFRAG's proposal, the AMF therefore suggest to include disclosures on the locked-in GHG emissions deriving from key assets and products.

39. To understand the transition plans of the company, it is necessary to have sufficient information on the **methodologies and key assumptions** that the company has relied on to define its plan and to set its related targets.

40. As transition plan is closely linked to targets, please also consider our comments below on Targets when reviewing the disclosure requirements on Transition Plan, for consistency purposes.

Offsets

41. Carbon offsetting is undoubtedly a useful lever for companies to contribute to climate change mitigation efforts. For this reason, and because there are challenges with the use of offsets (quality of the offset, accounting rules, etc.), the AMF supports ISSB transparency requirements on the use of carbon offsets.

However, for the same reasons that companies are strongly recommended to disclose their gross GHG emissions, avoided emissions, removals and offsets in separate metrics (in accordance with the GHG Protocol or ISO 14064-1), it is also important to require companies to clearly differentiate their targets aiming at the reduction of their GHG emissions in the value chain from other types of contributions, such as carbon offsetting. Indeed, offsetting emissions and reducing GHG emissions in the value chain are two different categories of actions covering two different perimeters. Offsetting action is a financial contribution covering projects to reduce or capture emissions outside of the company's value chain, by acquiring carbon credits on the voluntary carbon market or by directly financing such projects.
It is therefore necessary to clarify that offsetting action does not constitute a "right to emit" and should not be seen as a way to effectively "cancel" the company's own GHG emissions. Requiring companies to report these actions separately in relation to their climate-related targets/plans makes it possible to reflect more accurately the physical reality of these actions and related GHG flows, and to prevent the greenwashing risks that merging the two elements could entail. This would eventually aim at facilitating the management of the company's action plan and strategy with regards each of these contributions[1].
In other words, it is critical not to incentivise companies to present their offsetting actions as a way to achieve their targets for their GHG emission reduction (in the value chain). This is also in line with EFRAG's Climate exposure draft or SBTi's approach.

In this regard, the AMF notes that paragraph 13, **as currently drafted, could encourage companies to "net" offsets and emission reduction in the value chain**. The AMF therefore suggests the following:

- 13(b)(ii): "*~~the amount of~~ the entity's GHG emission reduction targets ~~to be achieve through emission reductions~~ within the value chain*". *The targets shall not include GHG removals, carbon offsets or avoided emissions.*
- 13(iii): "*the intended use of carbon offsets ~~in achieving emissions targets~~*"**.**
- 13(iii)(1): "*~~extent to which the targets rely on the use of~~ the planned quantity of carbon offsets to be used, if any*.

42. In addition, to foster high-quality reporting, IFRS S2 could integrate **illustrative guidance** regarding the disclosure of offsets and encourage companies to better differentiate mitigation actions on the value chain from those outside of the value chain, reflecting the above-mentioned elements.

43. The AMF also draws the attention of the ISSB on the **terminology**, and suggests using the **notion of "carbon credit**" which is more neutral than the notion of "carbon offset", as this term could convey the idea of "cancelling" the company's GHG emissions. This would also ensure consistency with other frameworks (CDP, EFRAG's draft standard).

44. Finally, the AMF is of the view that transparency requirements on the use of **certifications** for carbon credits could be reinforced, given the significant differences between certification schemes, and considering their key role in determining the quality of these actions. The ISSB could for instance require the publication of the shares of carbon credits obtained under each certification schemes.

Question 6 (Current and anticipated effects)

45. Please refer to our comments above on IFRS S1 paragraph 22 (Question 4 - Core content, paragraph 10), which requirements are mirrored in IFRS S2 paragraphs 14.

[1] *See for further information: AMF, Climate and Sustainable Finance Commission, Companies and carbon neutrality: initial conclusions and issues identified, October 2021.* https://www.amf-france.org/en/news-publications/publications/reports-research-and-analysis/companies-and-carbon-neutrality-initial-conclusions-and-issues-identified

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Question 7 (Climate resilience)

46. The AMF considers that scenario analysis is a powerful tool for companies to perform resilience assessment, and key for users to understand the implications for the companies of the different development and actions related to climate change. The quality of the disclosure therefore greatly depends on the use of these prospective tools. As such, and to ensure the comparability of reporting, priority should be given to the use of scenarios for resilience assessment. The AMF therefore suggests to emphasis in paragraph 15, the following:

    15. An entity shall disclose information that enables users of general purpose financial reporting to understand the resilience of the entity's strategy (including its business model) to climate-related changes, developments or uncertainties—taking into consideration an entity's identified significant climate-related risks and opportunities and related uncertainties. The entity shall use climate-related scenario analysis to assess its climate resilience ~~unless it is unable to do so~~. In some circumstances, relying on scenario analysis may be impracticable i.e. the company cannot carry out the analysis after making every reasonable efforts. In these cases, the company shall disclose this fact and why, and ~~If an entity is unable to use climate-related scenario analysis, it~~ shall use an alternative method or technique to assess its climate resilience (…):

    This proposal would also increase the interoperability between the ISSB's exposure draft and EFRAG's Climate ESRS that does not authorise alternative methodologies.

47. However, acknowledging the difficulties that some companies may have to identify appropriate scenarios and conduct the analysis, the AMF also encourages the ISSB to develop additional guidance in this area.

48. Please also refer to our comments above on IFRS S1 paragraph 22 (Question 4 - Core content, paragraph 11), which requirements are mirrored in IFRS S2 paragraphs 14.

Question 9 (Metrics and GHG emissions)

49. The AMF strongly supports the disclosure requirements on scope 3 emissions, which is key for understanding carbon footprint of companies and is a valuable information for investors. These disclosures should be upheld.

50. In line with our comment above (see "*General observation*"), the AMF considers necessary to define methodological principles for the cross-industry metrics listed in paragraph 21 (definition of ratios, calculation rules, etc.). There is indeed a risk that different methods, with varying level of robustness, will coexist in particular for relatively new and complex metrics such as the "*amount and percentage of assets or business activities vulnerable to physical/transition risks*" (21, b and c). In addition, the AMF encourages the ISSB to develop more detailed application guidance for the calculation of GHG emissions. For instance, it would be useful to clarify the calculation rules for scope 2 emissions (location-based vs market-based emissions). To ensure consistent calculation of scope 1, 2 and 3 GHG emissions considering all types of GHG gases, there is also a need to further standardise the Global Warming Potential factors used, by referring to "the most recent GWP values published by the IPCC based on a 100-year time horizon".

    Taking into account the different levels of maturity of methodologies in this area, it could also be necessary to provide illustrative guidance until more robust and standardised methods are available. Where relevant, methodological rules could be also specified at the level of industry-specific standards (for instance, the meaning of "*physical unit or economic output*" for the GHG intensity ratio).

Question 10 (Targets)

51. Regarding GHG emission targets, the AMF considers necessary to require the disclosure of **target values in five-year rolling periods**, with at least a target value for 2030 and, if available, 2050. Indeed, the AMF is of view that more prescriptive provisions on the targets timeframe is critical for consistent implementation and comparability and that it would help to understand the transition pathway followed by the company. This also reflects the recommendations of the TCFD on the need to review periodically the climate-related targets disclosed (and update such targets if necessary).

52. In addition, the AMF recommends the ISSB to require companies to also **report absolute GHG emissions reduction targets by GHG emission scopes**. This information is useful to depict whether the company intends to reduce its GHG emissions in its own operation or along its value chain and give insights on the need of different types of emission reduction levers.
53. In paragraph 23, it seems necessary to require further transparency on the **scope and coverage** of the climate-related targets that the company has set.

54. The AMF fully supports the approach of the ISSB that requires transparency, in paragraph 23(e), on "*how the target compares with those created in the latest international agreement*". **Information on the compatibility of the company's plans and targets with a Paris-aligned transition** of the economy (i.e. assessing the gap) is highly useful from an investor's and financial materiality perspective. Such assessment however, remains challenging, and the AMF suggests further specifying how companies should conduct this analysis to ensure consistent implementation.

55. In paragraph 23(e), it is also necessary to clarify what is covered by "*whether the target has been **validated by a third party***", and in particular, whether this provision applies for any target set (to be validated by a third party), or if such validation relates to the comparison of the target with international agreement.

56. Finally, the AMF believes it would be useful and more straightforward to **mention the Paris Agreement** in paragraph 23 (as well as in other similar items of IFRS S2: paragraphs 14, 15, and Appendix A), to avoid any interpretations. For instance, with the following wording: "*the Paris Agreement (or an updated international agreement on climate change*)"

57. As targets are closely linked to transition plan, please also consider our comments above on transition plan when reviewing the disclosure requirements on targets, for consistency purpose.

Question 11 (Industry-based requirements)

58. The status and implementation of industry specific guidance in appendix B of IFRS S2 raise questions. First, the applicability of the metrics in a jurisdiction-agnostic context is at stake as there remains reference to US legislation/practices (such as reference to AHAM for product lifecycle environmental impacts) in these industry-based disclosures requirements. Second, the SASB metrics contained in the Appendix are not limited to climate issues but address also other sustainaibility matters (such as marine ressources, biodiversity), which is inconsistent with the Climate Exposure Draft hosting this appendix. Finally, the very much-needed convergence of sectorial international standards with other standard-setting initiatives might warrant considering a phased-in implementation of Appendix B. Such phase-in implementation might be achieved, for example, by excluding from this appendix the industry-metrics that are not specifically related to climate, and prioritizing disclosures on high-impacts sectors with regards climate issues.