



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

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The AMF welcomes the standard-setting initiative of the ISSB to develop global baseline standards for sustainability disclosures. ISSB's initiative will reduce the fragmentation of reporting system and foster the availability of relevant and comparable sustainability information for the benefits of investors and other stakeholders.

International convergence

ISSB's effort is not isolated: the momentum associated with the international commitment to limit global warming, and the transition of our economies to a more sustainable development model for people and the environment, has fueled parallel standard-setting initiatives in other jurisdictions, most notably in the US and in the EU.

While welcoming the objective of these initiatives, the AMF calls for convergence and consistency between these various sets of standards. This would be beneficial to investors that operate globally in their decision-making process, to preparers that will see their reporting costs and operational burden reduced, and to all stakeholders that need relevant and consistent information to support scaling up sustainable investments and combatting greenwashing.

A robust and constructive dialogue needs to be maintained and fostered between ISSB and other standard setters, including EFRAG in the EU. The AMF welcomes the recent creation of a Jurisdictional Working Group within ISSB aiming at discussing compatibility of jurisdictional initiatives, and spurs the pursuance of such exchanges throughout the whole standard-setting journey.

Double-materiality and broad spectrum of ESG-standards

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 in the near future on sector-agnostic standards covering a broad spectrum of ESG topics, once again with the aim of providing comprehensive sustainability information to investors and other stakeholders.

In the shorter term, the AMF wishes to raise a few important matters it has identified on the Exposure Drafts to ensure interoperability with the EU framework:

Definition of "sustainability-related" financial information

The Exposure Drafts fail to provide 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.

Consistency of concepts: the approach to materiality

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. In particular, specific guidance on the implementation of materiality assessments to sustainability information would be welcome. On these technical aspects, the AMF encourages the ISSB to work closely with EFRAG and the Global Reporting Initiative (GRI).

Content of the climate-related disclosure requirements

Bearing in mind that the ISSB standards will aim for global implementation, disclosure requirements need to be credible and of high-quality with a view to avoid market fragmentation. However, as the Climate Exposure Draft stands, a few crucial requirements bear the risk of translating into very different implementation outcomes:

- **Transition plans:** transition plans represent a crucial component of an entity's climate strategy. Yet, as currently defined in the Exposure Drafts, they may lack credibility and be permeable to greenwashing allegations. To avoid it, the actions of "absolute GHG emission reduction" should become a core feature of the definition of "transition plans", rather than a mere example of action that may be implemented and disclosed at the discretion of the reporting entity.
- **Emission offsets:** it is paramount to consider a more neutral presentation of the use of emission offsets. As they stand, the Exposure Drafts imply that companies could present offsets as GHG Emissions reduction lever in the company's value chain. In keeping with the approach recommended by the international community (Science Based Targets initiative (SBTi), EFRAG, the GHG Protocol or ISO), the AMF advocates separating the reduction of GHG emissions in the value chain from emission offsetting actions, considering their distinctive contribution to the decarbonisation of the economy, due to their different physical nature, and to prevent the greenwashing risks that merging the two elements could entail. The AMF also believes that the notion of "carbon credits" instead of "offsets" would better reflect these elements.

Beyond the filter of the interoperability of standards, the AMF has also paid particular attention to the aim of setting high-quality disclosure requirements. Throughout the annexed response to the consultation, the AMF is highlighting a number of other issues in both IFRS S1 and IFRS S2 exposure drafts that would deserve further reflection such as the clarification of several related terms like "significant" in conjunction with "material", or the notions "resources", or the specification of methodological principles to substantiate metrics and complex assessment exercises, such as the resilience analysis.

Industry-specific metrics/guidance from SASB

The AMF is contemplating the following considerations when reflecting upon the status and implementation of industry specific guidance in appendix B of IFRS S2: the applicability of the metrics in a jurisdiction-agnostic context; the consistency of SASB metrics, which are not limited to climate issues, with the Climate Exposure Draft hosting this appendix; and more generally the very much needed convergence of sectorial standards with other standard-setting initiatives, which might warrant considering a phased-in implementation of Appendix B.

To conclude, the AMF encourages the ISSB in its path towards designing meaningful reporting standards on sustainability information. The urgency of such standards, the diversity of expectations and the fast-evolving environment represent a challenge. To support implementation of the new standards, the AMF propounds the set up of an ISSB "Transition Resource Group", following the IASB's example during the implementation of as major new standards as IFRS 15, IFRS 9 or IFRS 17. Such initiative would provide a public forum for stakeholders to analyse and discuss issues arising from implementation, which would then inform the Board's decisions. In addition, the AMF recommends that a post-implementation review of the two standards be planned in the near future. Such review will provide a first overview of their implementation, and give the opportunity for adjustments based on the evolution of practices, the development of jurisdictions' frameworks, and the transformation of our sustainable financial and economic systems.

More detailed comments on the exposure drafts are set out [in the separate Appendix](#) to this position paper.