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June 15, 2021

The Honorable Gary Gensler
Chair
U.S. Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549

Re: Public Input Welcomed on Climate Change Disclosures

Dear Chair Gensler,

IFAC welcomes the opportunity to comment on the U.S. Securities and Exchange Commission's ("SEC" or "the Commission") request for public input on climate change disclosures. As the global voice of the accountancy profession, IFAC represents over 180 Professional Accountancy Organizations in 135 jurisdictions, thereby representing over three million professional accountants. As such, our goal is to bring an international perspective to this issue and encourage the identification of areas of alignment between the U.S. and jurisdictions globally.

We applaud the Commission's leadership in prompting this important conversation. IFAC supports including a broader range of information in corporate reporting so that organizations can communicate more effectively—and stakeholders can better understand—prospects for longer-term value creation. We believe that companies who adopt an "integrated mindset"—insight gained by management and those charged with governance from *both* financial and sustainability information, including climate-related issues—will make better decisions and can deliver superior financial returns to investors, as well as take account of value to customers, employees, suppliers, and societal interests.

Our most recent points of view are presented in our policy paper on *Enhancing Corporate Reporting*, our call-to-action for a new sustainability standards board—*The Way Forward*, our response to the IFRS Foundation Consultation on Sustainability Reporting, and our update to The Way Forward that specifically addresses the Sustainability Building Blocks Approach. We are currently working in partnership with AICPA-CIMA on a benchmarking review of global market practice with respect to sustainability-related reporting and assurance. IFAC would be happy to share the detailed results of this work once completed.

We believe our views on climate and broader sustainability-related disclosure are broadly consistent with those of the IFRS Foundation and leading integrated and sustainability reporting organizations as set out in joint papers issued in 2020.[1] In developing our positions, IFAC conducted extensive global engagement across our membership and other stakeholders. While IFAC's voice represents the accountancy profession, we have also informed our views with input from both users, preparers, and regulators of corporate information.

This engagement has served to reinforce our view that a *global* system for sustainability-related reporting best serves the public interest and that the IFRS Foundation can and should play a critical role in the process by establishing a consistent baseline of information—financially material disclosure topics and performance metrics—for investors and global capital markets, addressing enterprise value.

[1] CDP, CDSB, GRI, IIRC, and SASB ("The Alliance"). See their joint Statement of Intent to Work Together Towards Comprehensive Corporate Reporting and their open letter to IOSCO.

The key elements of our letter, which are described in more detail below, include:

- Climate change and other sustainability-related information enhances Investors' and stakeholders' ability to assess company performance, risks, opportunities, and long-term prospects—i.e., enterprise value.
- This information must be high-quality, decision-useful, and trusted. Therefore, the current myriad of frameworks for such disclosure must be rationalized and harmonized, allowing for appropriate levels of assurance.
- As the largest economy with the world's most robust capital market, the United States has a unique opportunity to contribute to the success of an emerging global approach to investor-focused sustainability disclosure—through its leadership within the G20, FSB, IOSCO, and other international organizations and by collaborating with this emerging global system.
- A "Building Blocks Approach" provides the architecture for a global system of climate and sustainability reporting requirements that balances the information needs of capital markets with the public policy specificity that jurisdictions require.
- The IFRS Foundation initiative to establish a new International Sustainability Standards Board has a critical role to play in this rationalization/harmonization towards a global baseline of reporting requirements for investors and capital markets (i.e., Block 1 of the Building Blocks Approach). The IFRS Foundation should move with speed and leverage existing work, initially focused on climate disclosure, so that all jurisdictions can benefit as soon as practical from the work of this new board.

The U.S. and the SEC have played a critical role in the development of IFRS Standards for financial reporting, including important convergence work between the FASB and IASB and permitting more than 500 foreign SEC registrants, with trillions of dollars of worldwide market capitalization, to use IFRS Standards in their US filings.[2] Today, as policymakers consider the best way forward for crafting the emerging global system for sustainability-related reporting, support from the U.S.—thought the leadership, activities and engagement of the SEC, as well as US leadership in the G7, IOSCO, and other bodies—is more important than ever.[3] **On behalf of the global accountancy profession, IFAC urges the SEC to support this global initiative. IFAC stands ready to assist the Commission in any way that we can.**

Sincerely,

Kevin Dancey, CEO IFAC

[2] IFRS Standards Use Around the World: IFRS - View Jurisdiction

[3] The Finance Ministers and Central Bank Governors of the G7 recently expressed their agreement on i) "the need for a baseline global reporting standard for sustainability, which jurisdictions can further supplement," ii) welcoming "the International Financial Reporting Standards Foundation's programme of work to develop this baseline standard under robust governance and public oversight, built from the TCFD framework and the work of sustainability standard-setters, involving them and a wider range of stakeholders closely to foster global best practice and accelerate convergence" and iii) encouraging "further consultation on a final proposal leading to the establishment of an International Sustainability Standards Board ahead of COP26." G7 FINANCE MINISTERS & CENTRAL BANK GOVERNORS COMMUNIQUÉ | U.S. Department of the Treasury

RESPONSES TO REQUEST FOR PUBLIC INPUT ON CLIMATE CHANGE DISCLOSURES

Question for Consideration 1: Achieving Consistent, Comparable, Reliable Information
IFAC believes that corporate reporting should capture all relevant information about organizations. Investors and other stakeholders are demanding more, higher-quality information and insights about company performance, risks, opportunities, and long-term prospects than are available from the conventional financial reporting process, including sustainability information material to assessing enterprise value.[4] This analysis is consistent with the themes underlying the Commission's consideration of enhanced climate change disclosure in the U.S. Just as relevance, reliability, comparability, and assurablity are essential for traditional financial reporting, they must remain essential for sustainability-related disclosures.[5]

With respect to *where* climate disclosures should be provided, IFAC notes the preeminent role of the annual report (i.e., an investor-focused communication) in jurisdictions around the world. However, current reporting of climate and other sustainability-related information varies considerably across jurisdictions. A benchmarking study of sustainability information reporting and assurance practice, commissioned by IFAC and AICPA-CIMA, examines reporting by 1400 of the largest public companies in twenty-two jurisdictions (i.e., the G20, including Spain, plus Hong Kong and Singapore). Ninety percent of these companies reported some level of sustainability-related information (i.e., not only specific to climate change) in three primary documents. Most companies provide information, much of it climate-focused, in stand-alone sustainability reports, with Annual Reports and Integrated Reports being the next two most frequent forms of disclosure, respectively.[6] Given this diverse and still evolving practice, and considering the importance of encouraging increased disclosure of climate and sustainability-related information, IFAC supports consistent and comparable disclosure—that is subject to high-quality assurance—*whatever reporting document* is used to convey this information to investors and other stakeholders. This said, co-location of *all* investor-focused information (or specific cross-references), as well as integrating financial information with sustainability-related information, would assist users in their assessment of enterprise value.

Consideration for where climate or sustainability information is disclosed should also take into account its digitization. Requirements for structured data (using XBRL) could make all sustainability-related disclosures more easily accessible to investors and other stakeholders, especially if multiple reports (e.g., annual report, corporate sustainability report, integrated report, proxy statement, or other filings) comprise a company's communication with investors and stakeholders.

With respect to *how* climate disclosures (or other sustainability-related information) should be reported, we highlight the complex mosaic of voluntary disclosures under various frameworks and standard-setting initiatives focused on sustainability.[7] Data from our benchmarking study confirms this complexity, globally.[8] Specific to the U.S., the Center for Audit Quality has examined reporting by S&P 100 companies—concluding that nearly 90% reference more than one framework or set of standards as the basis for their disclosures.[9] Therefore, stakeholders find it difficult to both rationalize the information being provided by

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[4] Enhancing Corporate Reporting | IFAC NOTE: As stated in IFAC's Enhancing Corporate Reporting policy paper, we view "non-financial" information to include measures derived from the financial statements (i.e., "non-GAAP" or "non-IFRS" measures), other "Key Performance Indicators" connected to financial performance, and broader information related to value creation (including intangibles), sustainability or environmental, social, and governance factors. "Sustainability" information is therefore somewhat narrower in scope—typically understood to focus most on environmental, social, and governance factors. We view the Commission's focus on climate change disclosures to be a topic-specific component of broader "sustainability" or "ESG" focused disclosure and, therefore, we use these terms in our response in conjunction with "climate change disclosures."
[5] Enhancing Corporate Reporting
[6] At the time of this submission to the Commission, the full results of this review have not been published. IFAC anticipates that it can provide to the Commission, under separate cover, a full report from this study by July 1, 2021 or earlier. IFAC would welcome any questions or comments that the Commission may have regarding this study.
[7] IFAC's Point of View: Enhancing Corporate Reporting.
[8] See footnote 4 above.
[9] Center for Audit Quality publication: S&P 100 and ESG Reporting (April 29, 2021)

and between companies and to understand the linkage to financial information.[10] This situation perpetuates inefficiency, increased cost, and a lack of comparability and trust in reported information. This diversity of practice also impedes globally consistent assurance of climate-related and other sustainability information. Therefore, rationalization and alignment in reporting must occur for sustainability disclosure to achieve its full potential.

Question for Consideration 3: Market-Driven vs. Regulatory-Driven Reporting

As the data cited above demonstrates, a market-driven approach—allowing market participants to develop climate-related (or any topic) disclosure practice—has not and will not result in standardized practice that delivers comparable, decision-useful information for investors and global capital markets. Initiatives like CDP, CDSB, GRI, IIRC, and SASB ("The Alliance") and voluntary reporting by companies under these frameworks/standards have existed for many years. Yet, despite the momentum for sustainability-related reporting, there is insufficient standardization.

Policymakers, regulators, and public authorities must take steps now, leveraging progress of existing sustainability initiatives, to address climate change (and other important environmental, social and governance topics) in a more comprehensive and speedy manner. Both companies and investors increasingly support this view[11] and feedback we have received directly from our stakeholder engagement around the world concurs. As the Commission continues its analysis of whether and how to enhance climate-related disclosure among U.S. companies, we strongly encourage it to consider how the U.S. can support and participate in the development of a global baseline of investor-focused sustainability-related reporting requirements—initially focused on climate disclosure—under the auspices of the IFRS Foundation.[12]

IOSCO—with a focus on investor protection—has demonstrated support for the IFRS initiative to establish a new ISSB, sought out stakeholder feedback, and has collaborated with the SEC to co-lead a Technical Expert Group that will review preliminary work of a recently formed IFRS Foundation Working Group.[13] U.S. regulatory, investor, and stakeholder participation in this global baseline standard-setting process (including U.S. leadership within IOSCO) will promote harmonization and rationalization of climate and other sustainability-related reporting, globally.

Question for Consideration 4: Industry-Specific vs. Cross-Industry Standards

In IFAC's recent publication, Enhancing Corporate Reporting: Sustainability Building Blocks, we detail the respective role of i) qualitative information about governance, strategy, and risk management of material sustainability factors and ii) performance targets and quantitative metrics for material sustainability factors, which include both *cross-industry* and *industry-specific* requirements.

Cross-Industry Information: In September 2020, the World Economic Forum ("the Forum"), through its International Business Council, developed common, comparable standards for use by companies, regardless of industry, to address reporting on sustainable value creation. Twenty-one "core" metrics (and 34 expanded metrics) were specified—drawing on existing standards/frameworks such as GRI, CDSB, IIRC, SASB, TCFD, and others. The Forum's work demonstrated that a converged set of decision-useful metrics could form the foundation for a global set of sustainability standards.[14] IFAC believes that this work demonstrates the role that cross-industry information or themes can play in reporting climate and broader sustainability information.

[10] CFA Institute 2017 "Environmental, Social and Governance (ESG) Survey" (p. 18) highlights a lack of appropriate quantitative ESG information, lack of comparability across firms, and questionable data quality/lack of assurance.
McKinsey 2019 survey "More than Values: The value-based sustainability reporting that investors want" (including 50 companies, 27 asset managers, 30 asset owners) identifies the "excessive effort and expense" in providing similar information in answer to multiple requests. Investors and corporate executives cited "inconsistency, incomparability, or lack of alignment in standards as the most significant challenge" related to sustainability reporting.

[11] McKinsey survey revealed 86% of corporations / 88% of investors favor a single or fewer standards for sustainability reporting.

[12] Please see IFAC's response to the IFRS Foundation 2020 Consultation on establishing a new stainability standards board.

[13] IOSCO Media Release 30 March 2021 and IOSCO Media Release 10 May 2021

[14] World Economic Forum Releases ESG Reporting Metrics and Disclosure Standards

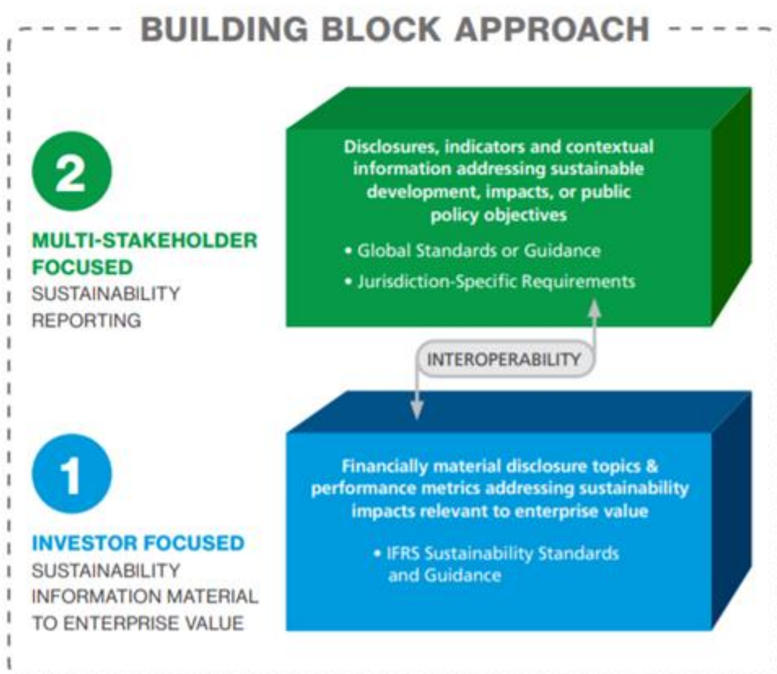
Industry-Specific Information: IFAC notes its long-standing partnership with the International Integrated Reporting Council, which has now combined with SASB to form the Value Reporting Foundation—offering an end-to-end reporting framework, focused through an investor lens, for reporting on enterprise value. IFAC acknowledges the extensive work of SASB in assessing the relevance of sustainability factors at an industry level. While climate change is global and ubiquitous, its potential physical, transitional, and/or regulatory impacts will manifest differently from company-to-company. For example, climate change impacts on agriculture, fossil fuels, and financial services companies will be divergent. SASB has done extensive analysis across over seventy industry classifications to demonstrate this reality.[15] Hence industry-specific disclosures can contribute to the decision usefulness of reporting while also assisting companies in assessing/rationalizing the relevance of climate (and broader ESG) factors to their company.

Together, we believe all these components enable consistent, comparable, and assurable enterprise value reporting for investors and other providers of financial capital.

Question for Consideration 5: Drawing on Existing Standards and Framework

IFAC believes that the key to working effectively with existing sustainability initiatives, including jurisdiction-specific initiatives, is to adopt a "Building Blocks Approach." The collaborative work of The Alliance initiatives provides standards and frameworks that can serve as a starting place for any initiative to establish climate-related or broader sustainability disclosure requirements. Of particular relevance to the Commission's current inquiry is a prototype for climate-related disclosures that builds on pre-existing work by The Alliance initiatives as well as TCFD recommendations—Reporting on enterprise value illustrated with a prototype climate-related financial disclosure standard.

In an effort to foster discussion and understanding of how to leverage existing initiatives, accommodate different views of what information investors and stakeholders want, and contribute toward a global reporting system, IFAC has published Enhancing Corporate Reporting: Sustainability Building Blocks. This Building Blocks Approach clarifies how ongoing efforts of the IFRS Foundation can effectively combine with jurisdiction-specific initiatives.



[15] SASB, Climate Risk Technical Bulletin (April 13, 2021); SASB Agricultural Products Industry Standard (October 2018); SASB Oil & Gas - Exploration & Production Industry Standard (October 2018); SASB Commercial Banks Industry Standard (October 2018); SASB Implementation Supplement – Greenhouse Gas Emissions and SASB Standards (October 11, 2020).

To meet the needs of capital markets, Block 1 must be global. The IFRS Foundation is moving decisively in this direction. This approach enables connectivity between traditional financial reporting (under the IASB) and sustainability information material to enterprise value (under the new ISSB). These baseline, investor-focused sustainability standards may become mandatory in some jurisdictions or could be used as best-practice guidelines in others.

Reporting with a multi-stakeholder focus (Block 2) is likely to be harder to harmonize at the global level because stakeholders who want this information are often concerned with specific public policy/societal objectives that vary between jurisdictions. To the extent that widely accepted sustainability reporting initiatives can fill these jurisdiction-specific needs, more harmonization and comparability can be achieved.

The Building Blocks Approach relies, to the extent possible, on defining reporting requirements in a way that allows companies to collect specific information and data on a given sustainability matter *once*, and then use that same information to satisfy reporting requirements under either Block 1 or Block 2, as appropriate. Digital tagging of reported information can facilitate this "interoperability."

Finally, it's important to recognize that the Building Block Approach supports the evolution that can occur in sustainability topics over time. The information that broader societal stakeholders want today can quickly become information that investors factor into their asset allocation decisions—and may ultimately end up being reflected in GAAP financial statements and disclosures. (Page 2 of IFAC's publication includes a carbon emissions example to illustrate this point.)

Based on our stakeholder outreach, IFAC concludes that the IFRS Foundation, with support from IOSCO and other public authorities, is well positioned to lead a global system for high-quality, climate and broader sustainability-related information that is also connected with financial reporting. **IFAC encourages the Commission to consider how a Building Blocks Approach can achieve the dual goals of satisfying U.S.-specific reporting objectives *and* creating a harmonized global system founded on a baseline of investor-focused reporting requirements for climate and sustainability information material to enterprise value.**

Question for Consideration 6: Criteria and Alternatives for Who Should Set Standards

A key benefit of the Building Blocks Approach described above is the balance it achieves between the information needs of international capital markets for consistency—Block 1—and requirements that address multi-stakeholder or local public policy considerations—Block 2.

Block 2 requirements—be they customized or linked to globally applicable standards or guidance (e.g., such as GRI requirements)—fall under the direct purview of relevant local authorities—i.e., the SEC or another body designated by the Commission (e.g., the designation of FASB as the Designated Private-Sector Standard Setter for financial reporting).[16]

However, Block 1 requirements that could be established by an independent, global body like a new ISSB are, by nature, voluntary. "Endorsement" (or a similar vetting/due-process protocol) is the political process that jurisdictions employ to bring local legitimacy to the work of a third-party standard-setting body. For example, this is the mechanism used by most of the 140 jurisdictions who require IFRS Standards for financial reporting. This country-by-country mechanism must be established to directly incorporate these global standards into local company reporting requirements, especially if used for regulatory filings. As a recent example, the Secretary of State for Business, Energy and Industry (BEIS) in the U.K. has delegated statutory powers to a newly established UK Endorsement Board (UKEB) that will endorse IFRS Standards for use in U.K. company statutory reporting.[17]

Alternatively, should the U.S. determine that an independent, US-specific body is necessary to establish climate disclosure (or broader sustainability-related information) reporting requirements, the Building Blocks

[16] Policy Statement Reaffirming the Status of the FASB as a Designated Private-Sector Standard Setter

[17] FRC Endorsement Board receives delegated powers, May 26, 2021

Approach can still accommodate this structure, assuming the U.S. body works to leverage existing initiatives—including work of the new ISSB—with a view to aligning with global baseline reporting (Block 1) while adding any additional U.S.-specific requirements (Block 2).

Finally, a possible alternative is for the Commission to decide, for an initial period or longer-term, that the work of the ISSB serves as suitable or recognized practice (e.g., as when the SEC identified a framework for internal controls published by the Committee of Sponsoring Organizations of the Treadway Commission—"COSO"). Again, U.S. guidelines that seek to leverage existing work, including that of the ISSB, can still align with a global, investor-focused baseline for reporting climate (and other sustainability) information and, thereby, support a *global* system.

Question for Consideration 9: A Single Set of Global Standards

IFAC sees three approaches to sustainability reporting:

> First, is a market-driven approach that relies on voluntary reporting using disclosures and metrics as decided by the reporting entities. However, as demonstrated above, market-driven, voluntary reporting cannot achieve relevant, reliable, and comparable information, which is what global capital markets require.
>
> Second, various country-specific/regional approaches, can play an important role as a catalyst for broader sustainability reporting. However, these initiatives are unlikely to achieve global scale. The comparability needed to support capital markets activities will not be achieved.
>
> Finally, there is the independent, private-sector approach that relies on transparency, due process, and public accountability. This approach best leads to public legitimacy. This has been the case with respect to US GAAP financial reporting as well as IFRS Standards, which are used by over 140 jurisdictions worldwide, and are accepted in the U.S. for fulfilling the reporting requirements of Foreign Private Issuers.

As stated throughout our response, IFAC reiterates its support for a baseline of investor-focused reporting requirements (Block 1) that can be supplemented by requirements that fulfill jurisdiction-specific policy objectives (Block 2). A new ISSB under IFRS Foundation oversight (i.e., including the Monitoring Board) and supported by the G7, IOSCO and public authorities is a critical contributor to this global solution—for the benefit of all jurisdictions.[18] A global approach will also provide the foundation necessary for the development of robust assurance that is necessary for investor and stakeholder trust.

We urge the Commission to consider supporting this global initiative via mechanisms like those identified in Consideration 6 above.

Question for Consideration 10: Assurance of Climate / Sustainability Information

IFAC believes that assurance improves user confidence, enhances access to capital, brings rigor to the development of company reporting systems and processes, promotes comparability of information, and *enhances investor protection*. The alignment of corporate reporting requirements for sustainability information—especially development of a global reporting framework—will support evolution/harmonization of assurance standards and practice—be it the work of the PCAOB, the International Audit and Assurance Standards Board, or other audit standard-setting bodies.[19] We acknowledge U.S. leadership of the new Technical Expert Group under the auspices of IOSCO's Sustainable Finance Task Force which will evaluate whether the work of the proposed ISSB on a new climate prototype forms the basis for the development of an audit assurance framework.[20] Further, in identifying its priorities for improving sustainability-related

[18] See footnote 3

[19] See International Standard on Assurance Engagements 3000 (Revised), *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, as well as the IAASB Consultation on Extended External Reporting (EER) Assurance.

[20] IOSCO March 30, 2021 Media Release

disclosures, the IOSCO Board has expressed support for independent assurance of company disclosures.[21] We strongly encourage the Commission to consider the assurance of future climate or sustainability disclosures in any U.S.-specific requirements.

In addition, IFAC agrees with the AICPA and Center for Audit Quality that "third-party assurance from an independent accounting firm can enhance the reliability of ESG information reported by companies, in a manner similar to the process that occurs with audits of financial statements and internal control over financial reporting."[22] Professional accountants who provide such assurance services are independent under a code of ethics, follow applicable standards for conducting assurance engagements, work in accordance with a system of quality control, are skilled and competent in assurance practice/procedures, and possess needed subject matter expertise (i.e., working with subject matter experts where appropriate)—all in the public interest.

However, current practice with respect to assurance of climate or other sustainability information mirrors the lack of standardization in reporting practice. Data from the IFAC/AICPA-CIMA study shows a situation that is still evolving, with significant differences in practices (both for reporting of information and for the assurance of information) across jurisdictions. Specific to the U.S., analysis by the CAQ indicates that eleven of the companies comprising the S&P 100 provided assurance performed by a public company auditor, while seventy companies provided assurance through engagements with engineering or consulting firms, not professional accountants. Nineteen companies provided no verification over the information they reported. The scope of assurance provided by non-public company auditors is predominantly focused on greenhouse gas-related metrics.[23] Data collected in our IFAC/AICPA-CIMA study corroborates this assessment of current U.S. practice and demonstrates a divergence of practice among the twenty-two jurisdictions analyzed.[24]

Question for Consideration 11: Other Factors to Ensure High-Quality Information
IFAC believes that the role of the accountancy and finance professionals—working *within* companies—must be emphasized. High quality climate and sustainability disclosure starts within companies—in the supply chain of information gathering and decision-making that precedes the publication of information to stakeholders. As noted above, we support proposals that enhance the communication of relevant information between companies and their stakeholders, including the elevation of sustainability-related information to a level of rigor and oversight comparable to that of traditional financial information; this includes assurance. However, a recent survey of 57 large US and European companies suggests that corporate finance departments (i.e., engaged in SEC reporting) are not currently an integral part of sustainability-related reporting. Only 7% of those surveyed indicated that the finance function was involved in data collection, review and discussion of metrics and goals. The majority of responses focused on sustainability, legal, communications, investor relations, and/or environmental/health/safety functions within their companies.[25]

As investors re-direct capital flows towards sustainability-conscious investment strategies,[26] the internal rigor of sustainability information needs to become better integrated with conventional internal controls, data gathering, and corporate reporting functions; otherwise, an investor protection or expectation gap may emerge. This said, IFAC acknowledges that developing and implementing such processes is a journey that companies, assurance providers, enforcement agencies, audit committees and other members of the ecosystem responsible for achieving high quality company reporting (and assurance of information) must

[21] IOSCO February 24, 2021 Media Release
[22] ESG Reporting and Attestation: A Roadmap for Audit Practitioners
[23] Center for Audit Quality publication: S&P 100 and ESG Reporting (April 29, 2021)
[24] See Footnote 6
[25] The Conference Board, Sustainability Matters: Sustainability Assurance Practices, Results of a survey of companies' usage of external assurance for their publicly reported nonfinancial information, November 2019, Thomas Singer (page 4, figure 2): SUSTAINABILITY MATTERS Sustainability Assurance Practices | The Conference Board (conference-board.org)
[26] Larry Fink's 2021 Letter to CEOs

take.[27] As such, a phased implementation approach to new climate and/or broader sustainability disclosure should be considered by the Commission.

Question for Consideration 15: Climate 1st vs. Broader Sustainability-Related Reporting

Consistent with our recommendations to the IFRS Foundation, IFAC believes, based on our stakeholder engagement, that the demand for sustainability reporting standards is not singularly focused on climate (or environmental) factors. This said, with a view to practical expediency—and given the importance of climate change to society as a whole—IFAC appreciates that the Commission may find it appropriate to pursue a "climate-first" approach. Significant work has been dedicated to climate-related sustainability reporting—both in terms of metrics, disclosures, principles and frameworks—and significant harmonization has been achieved among various initiatives (e.g., under the Corporate Reporting Dialogue's Better Alignment project, around market support for the work of the TCFD, and expected further collaborative efforts by The Alliance initiatives).[28] However, we note that some stakeholder feedback has highlighted the interconnected nature of climate-related topics—having impact on environmental conditions more broadly (e.g., water scarcity), on society (e.g., the disproportionality of climate-related impacts on poor populations), and on economic risks associated with a transition away from carbon-based energy sources. This may prove challenging to the Commission to "isolate" climate from broader environmental concerns, and environmental concerns from broader sustainability.

* * * *

[27] See IFAC Point of View on Achieving High-Quality Audits for more information on the importance of a well-functioning ecosystem comprised of the right people, the right governance/oversight, right regulation, the right audit/assurance, and the right measurements.

[28] Corporate Reporting Dialogue, Driving Alignment in Climate-related Reporting.