

Mr. Gary Gensler
Chair of the Securities and Exchange Commission (SEC)
100 F Street, NE
Washington, DC 20549
UNITED STATES

Submitted electronically

The Hague, 11 June 2021

Ref: B21.16

Subject: Request for public input on climate change disclosures

Dear Mr. Gensler,

Eumedion welcomes the opportunity to respond to the SEC's request for public input on climate change disclosures issued by then Acting Chair Allison Herren Lee on March 15, 2021.¹

Eumedion is the Netherlands-based dedicated representative of the interests of 53 Dutch and non-Dutch institutional investors, all committed to a long term investment horizon. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. We regard widely accepted financial and non-financial reporting standards as an element of critical importance for well-functioning capital markets, since investors are dependent on the quality of these standards for allocating their own and entrusted capital around the globe. Such standards are instrumental for responsible and engaged investors to live up to their fiduciary duties. Together our participants invest over \$ 8 trillion of capital in equity and corporate non-equity instruments.

From the perspective that none of our participants limit their investments to US capital markets only, we focus our attention to question 9 that is related to the advantages and disadvantages of a single set of global standards versus multiple standards setters and standards.

¹ US Securities and Exchange Commission, "Public Input Welcomed on Climate Change Disclosures", Public Statement (March 15, 2021).

Q9. What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?

Eumedion very much supports the SEC's increased interest and initiative in creating and maintaining an effective sustainability disclosures system that would promote the disclosure of decision-useful, reliable and globally comparable sustainability information. Such information is key to institutional investors; for three reasons.

First, sustainability performance has become a critical part of the assessments by institutional investors. Financial performance remains a key element for consideration in the investment process, however an assessment of the long term value creation potential of a company requires more than that. We observe a widespread consensus that an assessment of risks and sustainability performance should not be overlooked in making fundamental investment decisions. Consequently, they need decision-useful, reliable and comparable information not only for financial performance, but on risk and sustainability factors as well.

Second, we experience a mounting demand from legislators, institutional investors, their clients and their ultimate beneficiaries to further integrate sustainability factors in the investors' investment, engagement and voting decisions. Also in this respect, decision-useful, reliable and comparable sustainability information is necessary.

And third, information is a precondition for the shareholders' ability to have a meaningful dialogue with a company, and ultimately hold a company's board to account for its sustainability performance and for the possible adverse sustainability impacts of its activities.

If companies themselves do not disclose the relevant sustainability information, institutional investors have to rely on commercial sustainability data providers. These data providers all have their own measurement methodologies and send their own questionnaires to companies. This leads to

frustration and irritation amongst companies and inconsistent input into the investors' decision-making process.

One global set of sustainability standards would significantly improve usefulness, comparability and reliability of sustainability information for investors with an international investment portfolio. This will lead to better capital-allocation decisions. It will also create a level playing field for all companies around the globe. More consistent and reliable sustainability information will also lead to higher quality input for internal decision-making by company boards. And that will lead to a better decision-making process within companies.

In our 2020 position paper 'Towards a global, investor focused standard setter for corporate non-financial reporting'², Eumedion advocated the establishment of an International Sustainability Standards Board (ISSB) under the auspices of the IFRS Foundation with the aim to develop high-quality international sustainability reporting standards (ISRS).

The IFRS Foundation has a very strong and proven governance structure and is widely considered to be both authoritative and independent. Its authority benefits from the reputation that it and the International Accounting Standards Board (IASB) have built up over the past decades as 140+ jurisdictions allow or require its International Financial Reporting Standards (IFRS) for listed entities. Investors are, and will remain, the target audience of the IFRS Foundation. This is firmly set in its (proposed) constitution and we consider this to be well in line with the perspective of the SEC. The IFRS Foundation oversees a state-of-the-art due process for standard setting. Under the oversight of the IFRS Foundation, the IASB is well-known for carefully balancing the interests of preparers and users of reporting, i.e. investors. We consider the IFRS Foundation to be the most suitable body to take on the important oversight role of setting global standards for sustainability reporting.

Eumedion expects that these strengths will help overcome its current limited involvement in sustainability reporting. In a way, this current limited involvement could well prove to be a strength as well, in a sense that the ISSB can independently and more quickly make harmonising choices where the existing frameworks overlap and differ in their approaches. Eumedion considers the 'Statement of intent to work together towards comprehensive corporate reporting'³ by the five leading sustainability and integrated reporting organisations and the recent merger between Sustainability Accounting

² <https://en.eumedion.nl/clientdata/217/media/clientimages/Position-paper-standard-setter-non-financial-reporting.pdf?v=200706115028>.

³ <https://29kjwb3armds2q3qi4lq2sx1-wpengine.netdna-ssl.com/wp-content/uploads/Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf>.

Standards Board (SASB) and the International Integrated Reporting Council (IIRC) to be promising and very helpful as their efforts will facilitate an expedient standard setting process at the ISSB.

Another factor in favour of the Foundation establishing an ISSB is that there is a strong interconnectedness between financial and non-financial reporting. Having both boards under the same umbrella of the Foundation helps to efficiently safeguard this interconnectedness in the standard setting process as well.

If the ISSB would issue global ISRS, it does not necessarily mean that other local or global initiatives would become obsolete. Eumedion could imagine that under a 'hybrid model' the ISSB would set global standards that focus on metrics and narratives that are potentially relevant for many, but not necessarily all, companies around the globe. Such ISRS can be expected to extend to setting sector-specific standards as well. Regional jurisdictions (such as the United States and the European Union) can always introduce, if desired, additional reporting requirements that focus on matters that are of particular importance to these regions and may serve an audience beyond investors. It could also occur that the views between jurisdictions on a specific topic are too divergent to be addressed by a global standard setter, in which case there may be a valid need for certain jurisdictions to revert to local standard setting. Such a 'building block' approach should still promote relevance and comparability at a global scale, while facilitating more jurisdiction-specific needs of stakeholders.

Our leading principle is therefore 'global reporting standards where possible, additional regional reporting standards where needed'. This implies that in due time US or EU standards should ideally be limited to only complement ISRS. US or EU standards should only reflect the regional-specific policy objectives in the area of sustainability stemming from specific legislation and policies and specific stakeholder preferences. In adopting the ISRS, the SEC could use an endorsement process similar to that employed by regions and countries applying IFRS. These regions and countries establish local standard-setting and/or endorsement bodies that provide input to the standards-development process and adopt international standards for regional or domestic use.

We hope that our comments and suggestions are of any assistance. If you would like to discuss our views in further detail, please do not hesitate to contact us.

Yours sincerely,



Rients Abma
Executive Director