

June 17, 2022

Mr. Gary Gensler, Chair
U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Submitted via e-mail to rule-comments@sec.gov

Re: Proposed Rule “The Enhancement and Standardization of Climate-Related Disclosures for Investors” - **File Number S7-10-22**

Dear Mr. Gensler,

Mazars USA LLP, as the independent member firm of Mazars Group in the United States of America (“Mazars in US”) welcomes the opportunity to comment on the Proposed Rule *The Enhancement and Standardization of Climate-Related Disclosures for Investors* (“Proposed Rule”).

As a member of an international audit, tax, and advisory organization with operations in over 90 countries, we strive for continuous improvement by collaborating with other countries and members of the Praxity alliance, to set high standards of quality throughout the Mazars Group and tailoring our policies and procedures to comply with the standards established by the American Institute of Certified Public Accountants, the International Auditing and Assurance Standards Board and the Public Company Accounting Oversight Board.

Mazars Group has its roots in Europe, where it has been an active participant in discussions on the trajectory of sustainability regulations in a variety of forums, especially since the Paris Agreement. Even before this landmark accord, it has long advised European businesses on their environmental, social, and governance (ESG) risks and opportunities, allowing our group to accrue the necessary expertise for assisting companies at any stage of their ESG journey.

In North America, we have been leveraging this European experience and we are also engaging with multidisciplinary experts across sectors, including scientists and engineers, to better assist companies in grappling with the more technical facets of ESG and responding to mounting demand for them to better align their business strategies with the Sustainable Development Goals.

Sustainability is in Mazars’ DNA, constituting an integral part of our business model and the foundation from which we believe economic development can be achieved for the public interest and future generations. As such, we promote collaborative efforts in the public and private sectors towards prosperous and sustainable growth.

Our views on the Proposed Rule are driven by our position in the U.S. marketplace as a public accounting and professional services firm servicing publicly and privately owned businesses of all sizes and in a variety of industries, and also as an independent member of a global organization servicing clients across many jurisdictions. These views are also focused on the impact of the Proposed Rule on the attest practice of our business, as opposed to commenting from the perspective of our clients, whether they are registrants or investors.

Our comments are also based on Mazars Group's expertise as active contributors in building the upcoming game-changing regulation for sustainability reporting in the EU (the Corporate Sustainability Reporting Directive). Particularly on climate change, it has also gained international expertise in sustainable finance policy by developing, in collaboration with OMFIF, the Sustainable Finance Policy Tracker. This initiative is an overview of different countries' approaches to mitigating climate risks in the financial sector, including regulatory and supervisory measures, climate stress testing activity, net zero strategies, green bond issuance, and disclosure requirements.

Finally, our comments focus on the questions and matters that we feel are the most relevant to the approach described in the previous paragraphs.

Requests for Specific Comment:

Overview

1. Readiness of registrants, auditability of data, and audit risks

If the SEC adopts the Proposed Rule without any change to its effective date, large accelerated filers will be required to present financial statement metric disclosures starting fiscal year 2023. In addition, they will be required to present comparative data for fiscal years 2022 and 2021. We are concerned that registrants will not have sufficient time to accumulate, summarize and analyze necessary data in order to present these disclosures, or to design and implement internal controls over the preparation, production, processing and reporting of the data. As a consequence, auditors may conclude that the financial metric disclosures are materially incorrect and therefore be obligated to issue a qualified opinion on the registrants' financial statements and, or, internal control over financial reporting. Furthermore, auditors will need to assess this new risk as part of their acceptance and continuance processes, which could cause disruption in financial markets. In addition, until all applicable registrants are able to present disclosures with a baseline quality threshold, disclosures from one registrant to another may not be of the same quality and therefore not comparable with each other. We believe that the SEC should take into account these concerns and delay the effective date of the Proposed Rule by one year.

2. International operations subject to other rules

We believe the complexity of implementing processes that will allow registrants to comply with the Proposed Rule will be exacerbated for those with operations outside of the US. Registrants with operations in Europe in particular, will need to comply with the requirements of the Corporate Sustainability Reporting Directive (CSRD) and they will need to address differences between standards. We therefore believe that the SEC and the European Commission should consider differences between the requirements of the Proposed Rule and the requirements of CSRD, so that the two regimes are not materially different from each other.

Section B: Disclosure of Climate- Related Risks

3. Disclosure of opportunities

Q18: We believe allowing the disclosure of information about opportunities is fundamental for registrants to have a chance to discuss not only risks, but all climate related impacts to or from their business. Registrants need to disclose risks as well as value creation opportunities resulting from addressing climate change. We believe investors will benefit from this information about positive impacts, and it is equally important to investors as negative impacts. As such, disclosure of opportunities is also critical to the advancement of greater engagement of stakeholders in sustainable practices and creating value from the actions resulting from such engagement. We further believe that registrants will include these positive impacts in their assessments of the impact on financial statements items, and in the audit support documentation that will be provided to auditors. We finally believe that these opportunities should be discussed in the Management Discussion and Analysis.

Section F: Financial Statement Metrics

4. Use of GAAP

Q52: We believe that including a description of significant inputs and assumptions used and policy decisions made will allow investors to understand with adequate depth how management has addressed estimation uncertainty appropriately. Auditing standards also provide auditors with the necessary procedures to provide assurance on these inputs and assumptions.

Q53: We also believe registrants should use GAAP to present financial metrics information to maintain consistency between that information and related line items in the financial statements, and aid in comparability between financial statements. This is consistent with the SEC's continued focus on use of non-GAAP measures and would help avoid compounding such issues going forward.

5. Segment and historical information

Q54: We believe that financial metrics should be provided by reportable segment and geographical area when applicable, and when materially different from one segment to the other. Climate and transition risks have the potential of impacting segments and geographical areas differently, and information at this specific level may be decision-useful for investors.

6. Auditing and ICFR requirements

Q90: We understand the objective of the SEC for requiring the disclosure of GHG emissions metrics is to provide information to assess the level and intensity of emissions so that investors can better appreciate transition risk. If this is the objective of the SEC, then we believe the emission metrics should be treated to the same level as financial metrics and they should be subject to the same audit and ICFR requirements. However, we are concerned that registrants will not be able to provide audit-ready information and put in place ICFR-ready processes and controls on GHG emissions metrics by the effective date of the Proposed Rule.

Q91: We believe PCAOB guidance on how to apply PCAOB auditing standards to the proposed financial statement metrics is necessary. Such guidance would be helpful to registrants to better enable them to effectively obtain or prepare necessary data, information and analysis, and for auditors to obtain sufficient appropriate audit evidence related to these metrics.

Q92: We believe there will be additional costs to auditors (and therefore to issuers via increased audit fees) to appropriately incorporate the new requirements into their audits. In particular, we expect this cost to be more significant in the initial year or two of adoption, and we would expect these costs to decrease long-term due to more experience, familiarity, and gained efficiencies.

Section G: GHG Emissions Metrics Disclosure

7. Scope 3 emissions

Q98, 133, 198: We believe the disclosure of Scope 3 emissions is critical to providing fully decision relevant information relative to climate related risks. Inventorying all Scope 3 emissions is however a real challenge for all organizations. We therefore believe that the delayed compliance date for Scope 3 emissions is necessary (one year is aggressive), the safe harbor is warranted, and we think the sunset provision is also an interesting approach.

8. Historical GHG emissions

Q114: We understand the rationale for requiring GHG emissions metrics to be included for all historical fiscal years presented in the financial statements.

We however recognize that for a registrant who has not been calculating, tracking, and reporting these metrics: (1) there is significant burden to obtaining or generating this information for several years, significant cost associated (including attestation), and a relatively high risk of errors, (2) the value of presenting several years diminishes if the registrant has not managed the level of these emissions over the historical years, and (3) it is critical to establish a base line for these metrics that the registrant will work from in terms of addressing climate risks.

In this context, we believe the SEC should consider requiring registrants who have not been tracking and disclosing this information for several years to providing financial metrics for that one year.

Section H: Attestation of Scope 1 and Scope 2 Emissions Disclosure

9. Requirement for assurance:

Q135: We support assurance over emission related disclosures as it will increase reliability of information being presented and make it more decision-useful for investors.

Q136: We believe that the requirement for accelerated filers and large accelerated filers to obtain an attention report covering Scope 3 emissions disclosure should be phased in over time. This would enable these registrants to put an adequate process in place in order to collect, summarize and report necessary data. We recommend the time frame in the Proposed Rule to be postponed by one year. We also believe that an attestation report covering the process or methodology for calculating Scope 3 emissions (for example a SOC 2 report) will produce decision-useful information for investors.

Q141: We believe that assurance terms should be defined by assurance standard setters and not by the SEC. Definition of “limited assurance” and “reasonable assurance” currently exists within AICPA and IAASB standards.

10. GHG emission attestation provider requirement: Q144-153, 160-163

Q144-148: We believe that assurance should be provided by public accounting firms registered with the PCAOB since they already have a framework to adhere to professional obligations related to objectivity and due process, and to independence rules. Public accounting firms will apply the same rigor to all attestation engagements, resulting in decision-useful information for investors.

Current attestation standards have a framework for reliance on the work of experts, therefore, any expertise required from others (engineers, climate change experts, etc.) can be obtained by the attestation provider as part of their procedures.

The requirement that only registered public accounting firms provide attestation services will negate the burden for registrants to research and provide various information related to attestation service providers required in the Proposed Rule.

Finally, while we appreciate the concerns with respect to the resources available in the market to provide registrants with the support they need to meet the requirements of the Proposed Rule, we believe that not holding other service providers to the same levels of independence and quality control would: (1) certainly put accounting firms at a significant disadvantage, and (2) create different levels of assurance, which is not desired for the sustainability of financial markets.

11. GHG emission attestation engagement and report requirements

Q154-157: In conjunction with our feedback that only registered public accounting firms provide assurance over GHG emission information, we also believe that the standards that should be followed for attestation reporting purposes are only those issued by the PCAOB, AICPA and the IAASB. All these standards are established by a body or group that has followed due process procedures, have a long history of being used for providing attestation on various types of information, and investors are familiar with them. Introducing other standards not developed following due process procedures, in the mix of permissible standards, will make the attestation report unreliable from the perspective of investors.

Q158: AT-C 105.10 defines criteria as “the benchmarks used to measure or evaluate the subject matter.” AT-C 105.A16 provides the following characteristics for suitable criteria:

- Suitable criteria are required for reasonably consistent measurement or evaluation of subject matter within the context of professional judgement
- Suitability of criteria is context sensitive, therefore, there can be different criteria for the same subject matter
- Suitability of criteria is not affected by level of assurance

AT-C 105.A42 also provides that a suitable criteria should exhibit all of the following characteristics:

- Relevance
- Objectivity
- Measurability
- Completeness

In addition, AT-C 105.A43 provides that criteria can be developed in various ways, including the following:

- Embodied in law or regulations
- Issued by authorized or recognized bodies of experts that follow a transparent due process.

We believe that the Proposed Rule’s instructions concerning the presentation, methodology, including underlying assumptions, and organizational and operational boundaries applicable to the determination of Scopes 1 and 2 emissions meet the “suitable criteria” requirement as provided by various sections of AT-C 105 enumerated above. The requirements of the International Standard on Assurance Engagements 3000 (revised) for suitability of criteria are similar to those of AT-C.

Q159: We believe that the GHG protocol as the methodology for determining GHG emissions fulfils the requirements of AT-C 105 and therefore qualify as “suitable criteria.” Moreover, even though its implementation is complex, it is the criteria for measuring Scope 1, 2 and 3 emissions most widely used and accepted worldwide. It is also the criteria imposed by EFRAG and ISSB. In the interest of international alignment, we recommend that the SEC permits the use of the GHG protocol. We also suggest that SEC permits, as opposed to require, the use of other criteria as well, to provide flexibility to registrants for measurement and presentation purposes, provided these other criteria meet the requirements of AT-C 105.

We particularly applaud the requirement to disclose Scope 3 emissions only if those emissions are material, or if the registrant has set a GHG emission reduction target or goal that includes such emissions. This will preclude the need for registrants having to track their Scope 3 emissions without a need to do so.

We thank the SEC for providing us with the opportunity to provide our feedback on its rulemaking process for a ground-breaking mandate, and hope to stay engaged on the topic.



We would be pleased to discuss our comments with you at your convenience. Please direct any questions to Soma Sinha, Senior Manager Quality and Risk Management, at [REDACTED], Denis Usher, Partner and U.S. Capital Markets Group Leader, at [REDACTED], or Jerome Devillers, Partner and U.S. Sustainability and ESG Practice Leader, at [REDACTED]

Very truly yours,

MAZARS USA LLP

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