Mirova Response to the Exposure Draft on General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and the Exposure Draft on Climate-related Disclosures (IFRS S2) published by the International Sustainability Standards Board (ISSB)

Dear Mr Faber,

Mirova welcomes this opportunity to comment on the Exposure Draft on General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and the Exposure Draft on Climate-related Disclosures (IFRS S2) published by the International Sustainability Standards Board (ISSB). As a global asset manager exclusively dedicated to sustainable investing, we hope this letter will aid the IFRS and the ISSB in its contribution to the development of a international sustainability disclosure standards for corporate reporting. This letter provides an overview of Mirova and our general comments on the proposed rulemaking on climate-related disclosures.

I. Overview of Mirova

Mirova began providing sustainable investment products in the 1990s and became a standalone investment adviser exclusively focused on sustainable investing in 2014. Mirova collectively manages EUR 27.2 billion Assets Under Management as of March 31, 2022. All Mirova strategies are focused on sustainability. Being so focused presents Mirova with unique opportunities to add its voice across various jurisdictions for key topics related to sustainability. Mirova is among the 1% of global asset managers selected to be part of the PRI Leaders' Group on climate reporting, through key initiatives and programs including:

- Member of the High-Level Expert Group that advised the EU Commission for its sustainable finance action Plan, which implementation we have actively supported;
- Founding member of the Green Bond Principles;
- Member of the steering committee of the Science Based Targets Initiative, which provides technical assistance to the Net Zero Asset Owner and Asset Managers alliances;
- Member of the Net Zero Asset Managers initiative;
- Working in close collaboration with service provider Carbone 4 to develop key carbon-assessment methodologies; and
- Contributing to several global consultations over the years including consultations led by stock exchanges and financial regulators such as the European Union (EU) Commission, the European Securities and Markets Authority, MAS and HKSE, as well as industry-led consultation such as the Task Force on Climate-related Financial Disclosures (TCFD).

II. Mirova's comments

Mirova very much supports the principle of developing international sustainability reporting guidelines and standards for companies. Climate-related information, and more broadly, environmental, social and governance (ESG)-related information, is crucial for investors. We consider the proposed executive drafts to be a major first step in order to fill the information gap that we face today and to improve our capacity to factor in sustainability and climate-related issues.

The convergence - or at least the strong coherence- of sustainability and climate-related disclosure frameworks across the different jurisdictions is of particular importance for international investors like Mirova. We operate in various regulatory contexts and develop international investment strategies : we look for the same sustaintability-related disclosures from part of issuers that can be indistinctly based in Europe, in the US, or in other geographies.

Consequently, we strongly encourage the IFRS/ ISSB to consider and develop:

- a strong collaboration on climate-related disclosures with the EU regulatory bodies (the EU Commission, the EFRAG, the International Sustainable Finance Platform) and the US Securities Exchange Council (SEC) ;

- the inclusion of more qualitative and quantitave information related to the positive and negative impacts that a company can have on sustainability and climate-change through its products, services and processes across the entire value chain, in a so-called double materiality perspective. This type of information is not only useful for NGOs and academics: this is useful for investors too, who develop investment strategies aimed at supporting a sustainable economy.

In terms of implemenation, it seems to us of crucial importance that the IFRS/ ISSB and the EU Commission and EFRAG work on the development of equivalences between the two reporting systems, so as to avoid unnecessary reporting burden for companies. In particular, given that EFRAG draft ESRSs are in general more granular than IFRS sustainability draft standards -although coherent with them overall- it would make sense to develop an equivalence for which reporting with ESRS standards would provide automatic compliance with IFRS / ISSB sustainability reporting guidelines. Achieving this major milestone would provide coherence to the global sustainability disclosure framework and would foster the move towards a more sustainable economy. Such an equivalence system would also support IFRS/ ISSB's claims that the two frameworks are complementary and that the EU approach on double materiality enshrines ISSB's financial-only materiality approach.

DISCLOSURE OF STRATEGY, BUSINESS MODEL AND OUTLOOK

In coherence with the TCFD guidelines, which endorse a simple financial materiality perspective, the proposed framework requires companies to disclose any climate-related risks reasonably likely to have a material impact on their business or consolidated financial statements, which may manifest over the short-, medium-, and long-term, and how climate risks have affected or are reasonably likely to affect the company' consolidated financial statements.

While, as investors, we deem it important to be provided with information on the climate-related risks that can potentially affect a company's business and financial results, we also need to be precisely informed about the potential positive and negative impacts that a company can have on climate change, through its business (product and services) and through its processes, across the entire value chain. This information should be made available to investors even in the absence of climate targets and goals or transition plans. This would enable investors to understand two key aspects of a company climate-related stakes :

A) does the company significantly contribute to accelerate climate change, and not only how can it be affected by climate-change : while disclosures on scope 1, 2 and 3 emissions can provide quantitative information on this issue, it needs to be complemented by qualitative information at strategic and business model levels, so as to enable investors to understand the company climate strategy in its entirety ;

B) whether the company can generate a positive contribution to mitigate climate change through its products and services or through the improvement of its processes (for example switching to low-carbon production processes in a very carbon-intensive industry).

The more coherence we will have between the European Sustainability Reporting Standards and the ISSB / IFRS, the more this will facilitate the work of investors. In this regard, providing information consistent with the European Union (EU) Sustainable Finance Disclosure Regulation (SFDR) (for instance with information on the energy mix associated with the company production process, that has to be reflected today in the disclosure requirements on Principal Adverse Impact Indicators) and with the EU Taxonomy Regulation (TR) (which requires to disclose on the share of activities that are positively contributing to climate change mitigation and adaptation) are now very important elements for all European-based investors.

GHG EMISSIONS METRICS

We praise the IFRS/ ISSB for integrating scope 3 emissions in the disclosure requirements. We would encourage the ISSB / IFRS to maintain this disclosure requirement in its final draft and to ensure that the scope of disclosing companies will be satisfactory. An example of phase-in of scope 3 emissions by sector has been suggested in the European Commission's rules for climate benchmarks.

As the SEC did, a way to prevent any stakeholders pushback against the inclusion of scope 3 emissions disclosures could be the inclusion of a "safe harbor" provision, as the one introduced by the SEC in its draft rule. Such provision would encourage scope 3 GHG emissions disclosure, while ensuring this does not perpetrate new litigation risks for the companies concerned.

We strongly encourage the IFRS / ISSB to additionally endorse an impact-oriented perspective, requiring also to disclose additional climate-related metrics:

- the share of revenue / activities that contributes to climate change mitigation – guidance could be provided to companies on the activities to be taken into account in coherence with the EU taxonomy on climate-related objectives, in order to facilitate reporting and analysis for issuers and for investors;
- the amount of avoided GHG emissions that can be associated with these so called "green activities";
- the share of low-carbon energy and fossil fuels in the company total energy mix, especially when they belong to a highly carbon-intensive sector.

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We appreciate the opportunity to provide comments on ESG and climate change and hope that the IFRS / ISSB will move forward to create a framework that supports sustainability and coherence with the EU framework currently under development. If you have any questions, please do not hesitate to contact directly our head of sustainability research Mathilde Dufour: mathilde.dufour@mirova.com.

Sincerely,

Philippe Zaouati