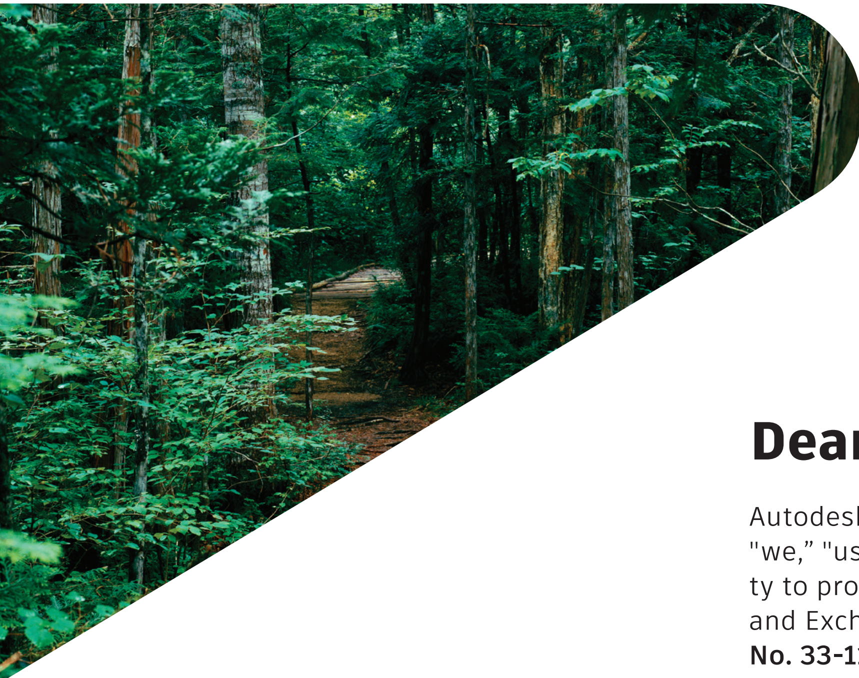
SEC Climate Disclosure Proposal

JUNE 2022

AUTODESK



Dear Ms. Countryman,

June 16, 2022

Ms. Vanessa A. Countryman
Secretary
U.S. Securities and Exchange Commission
100 F. Street NE
Washington, DC 20549-1090

Submitted via email
to rule-comments@sec.gov

Re: Release No. 33-11042 /
File No: S7-10-22

Autodesk, Inc. ("Autodesk," the "Company," "we," "us," or "our") appreciates the opportunity to provide comments on the U.S. Securities and Exchange Commission's ("SEC") **Release No. 33-11042: "The Enhancement and Standardization of Climate-Related Disclosures for Investors."**

Autodesk is a global leader in 3D design, engineering, and entertainment software and services. Our technology spans architecture, engineering, construction, product design, manufacturing, media, and entertainment, empowering innovators everywhere to solve challenges big and small.

Autodesk is committed to advancing a more sustainable, resilient, and inclusive world. We take action as a business to support our employees, customers, and communities in our collective opportunity to design and make a better world for all. More information about our commitment to sustainability can be found in our annual impact reports. Our fiscal 2022 impact report can be found on our website at https://www.autodesk.com/sustainability/impact-report.

We support robust policies at all levels of government to reduce the impacts of climate change and support the transition to clean energy, so businesses can compete and thrive in the low-carbon economy. This includes support for a carbon tax to provide negative incentives on carbon-intensive businesses and positive incentives for investment in sustainable practices and technology that benefit society.

We strongly support the Commission's effort to improve and standardize climate-related disclosures in public financial filings. We have been working toward this goal for several years, both individually and as a part of advocacy organizations, and believe greater transparency is an increasing priority for our shareholders and stakeholders.

Specific to Greenhouse Gas Emissions ("GHG") reporting, we firmly believe in the value of collecting the data, measuring our progress, and reporting on the attainment of our goals. Measuring our footprint enables us to manage our climate impact, thereby providing investors and other stakeholders with an accurate view of climate-related risks and opportunities

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within our business. Because of the importance of this data to our investors, we have received limited assurance for most of our emissions data for several years and received limited assurance for our entire fiscal year 2022 emissions inventory.

A particular challenge has been the number of competing disclosure frameworks that have arisen over time, including the Global Reporting Initiative, the Carbon Disclosure Project ("CDP"), the Value Reporting Foundation, and the Task Force on Climate-Related Financial Disclosure ("TCFD"). Identifying standards for our climate-related financial disclosures has been a shifting target, so we see great value in the Commission standardizing on a single framework in its proposal. We believe that the TCFD framework provides a reasonable balance between improved disclosure and compliance costs. We have been working for some time to implement TCFD and are, therefore, highly supportive of the Commission's selection of this framework as the basis for its climate disclosure requirements.

While we support the Commission's objective and approach, we have carefully considered the Commission's proposal. To achieve a more reasonable balance between the cost of compliance and the benefit to investors, we suggest the Commission consider the suggestions in the remainder of this letter in two areas: 1) proposed financial disclosures and 2) GHG disclosures.

Proposed Financial Disclosures

Rather than the proposed new audited footnote disclosure within the financial statements, we believe the Commission should direct the Financial Accounting Standards Board (“FASB”) to add a project to their agenda that would focus on proposing disclosure requirements that enhance existing U.S. Generally Accepted Accounting Principles (" U.S. GAAP") for climate-related events, transactions, transition activities, and estimates in the audited financial statement footnotes.[1]

With respect to a company’s climate-related financial impact, expenditures, estimates, and assumptions, we also agree with the Commission’s suggestion in Question 89 that disclosure of such information could reasonably be made outside the financial statements and within the proposed separately captioned item in the specified forms. We also suggest it be done on a prospective basis.

These suggestions would address the following issues we see with the Commission’s current proposal:

Potential conflict with current U.S. GAAP
We are concerned the proposed footnote could conflict with, rather than complement, existing Accounting Standards Codification (“ASC”) disclosure guidance. Potential qualifying events, like those suggested by the proposal, often result in accounting entries and disclosures that are within the scope of existing U.S. GAAP. For example, if a fire or storm destroys a registrant’s facilities, the associated costs, impairments, and contingencies would be accounted for and, if material, disclosed under U.S. GAAP.

Following our suggestion, through the FASB’s technical agenda process, they could consider what project is needed to enhance current impairment and loss disclosures to address events caused by the climate crisis. In addition, allowing for this added enhancement within existing ASC would align with existing materiality thresholds included in the ASC, which enable companies to assess items from a quantitative and qualitative perspective rather than adhering to a prescriptive threshold.[2]

One percent threshold does not provide comparability
Specific to the one percent threshold, we believe the Commission’s proposal for disclosure will not provide comparability between companies when applied to each financial statement line-item for each company. Our suggestion would allow registrants to use judgment on what events and trends should be disclosed and leverage existing standards for assessing materiality.

Internal Control Over Financial Reporting (“ICFR”) Scope could be prohibitively expensive
Including such disclosures in a financial statement footnote subjects them to the scope of the registrant’s ICFR and existing Public Company Accounting Oversight Board audit standards. Given the subjectivity of these disclosures, as noted above, it may be prohibitively costly for registrants to accurately compile the necessary data in a manner that could meet those attestation requirements. This could be especially true for historical comparative period data. Even if the historical data is available, it would not have been subject to the same review and controls currently being considered by these proposed rules.

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Qualifying events, conditions, and activities are subjective

While there is a clear consensus that climate change leads to more frequent severe weather events, it is far more complex and highly subjective to conclude what would be qualifying "severe weather events, other natural conditions, transition activities, and identified climate-related risks."

We should expect significant variation in practice and a lack of comparability between companies. The Commission accurately highlights this challenge in Question 60 of the proposal, noting the difficulty of isolating and quantifying impacts when they may be due to multiple factors. The Commission's suggestion in Questions 61 and 63 of specifying certain weather events and other natural conditions is similarly unfeasible. It is too prescriptive and substitutes the Commission's judgment for that of registrants.

Proposed GHG Reporting

We believe the Greenhouse Gas Protocol ("GHG Protocol") should be referenced within the rule, especially regarding organizational boundaries. In addressing the Commission's questions 100 to 104, we suggest that further investment in the GHG protocol focus on the scope, definition, and methodology of Scope 3 emission estimations. This investment should address different industries, materiality, and practical limitations of upstream and downstream emission data collection.

To reduce the use of estimates, as question 105 asks, we support the Commission's suggestion to allow registrants to use the latest practicable date in its fiscal year, that is, no earlier than three months or six months before the end of its fiscal year for Scope 1, Scope 2, and Scope 3 emissions data. Alternatively, we would support requiring Scope 1, Scope 2, and Scope 3 emissions data to be included in a separate report provided at least 180 days after a registrant's fiscal year-end. In addition, in response to question 180, we believe there should be transition relief on GHG reporting for recently acquired companies.

We also suggest a delayed timeline for proposed Scope 3 reporting. And, in response to question 114, because the clarity will likely result in revisions to prior reported calculations, we support the Commission's suggestion of only requiring GHG emissions metrics for the most recently completed fiscal year presented in the relevant filing at least as a transition relief in the two years following enactment.

In answering the Commission's questions 135 and 136, we believe limited assurance is the appropriate level of assurance to incorporate into the proposed annual report for all GHG reporting required.

These suggestions would address the following issues we see with the Commission's current proposal:

Scope 3 guidance remains limited

Specific to Scope 3, there is currently limited guidance in the GHG Protocol on the calculations and materiality. At this writing, Scope 3 is primarily based on general emissions factors that may not accurately represent a company's attributable Scope 3 emissions.

For example, to calculate the purchased goods and services in the Scope 3 category, we follow the economic input-output methodology and use the U.S. EPA Supply Chain Emission Factors. However, these emission factors are based on industry averages, which do not represent a robust emissions source for any individual company, especially considering the proposed attestation requirements.

Specific to organizational boundaries, as the proposal suggests, a registrant would be required to include all the emissions data from entities that it either consolidates, proportionately consolidates, or qualifies for the equity method of accounting. Companies will likely need to have estimated data to achieve the annual report timeline, adding a high degree of uncertainty. This exercise will be costly to obtain for all entities and ensure it will represent a robust emission data source, especially for voluntarily disclosed GHG data beyond Scope 1 and 2.

GHG Protocol needs an update

A press release on March 31, 2022, noted there are plans to update the GHG Protocol but the timeline[3] needed to research and develop applicable guidance may not match the proposal's enactment timeline. Absent our suggestion to delay the timeline for proposed Scope 3 reporting, the SEC should evaluate the protocol to address needed changes in the proposed rules once the protocol is referenced, as recommended above. The SEC should also partner with the World Resources Institute ("WRI") and the World Business Council for Sustainable Development ("WBCSD") to establish the appropriate governance framework and process to provide ongoing updates and revisions to the GHG protocol's existing guidance, like the investments made in U.S. GAAP.

Attestation efforts will be challenging in the proposed timeline

Achieving the reasonable assurance within the proposed annual report timeframe will be difficult, given the need for investments in companies' existing processes, controls, and IT systems.

Separate from ESG reporting, we have already undertaken efforts to accelerate financial reporting filings to provide data more quickly to investors. The proposal could reverse prior progress with the added assurance work noted above.

We appreciate the opportunity to comment. If you have any questions concerning our comment letter, please contact Stephen Hope, Vice President, and Chief Accounting Officer, at stephen.hope@autodesk.com.

Thank you,

Andrew Anagnost
President and Chief Executive Officer

Debbie Clifford
Chief Financial Officer

Endnotes

1 Please also refer to Autodesk's comment on question 13 in the FASB Invitation to Comment ("ITC") Agenda Consultation in 2021 regarding the treatment of ESG-related transactions available at https://www.fasb.org/document/blob?fileName=AGENDACONSULT.ITC.078.AUTODESK%20INC.%20STEPHEN%20HOPE,0.pdf

2 ASC 105-10-05-6 states that the provisions of the ASC need not be applied to immaterial items.
Certain ASC sections also include specific materiality, such as ASC 280 and ASC 715.

3 https://ghgprotocol.org/blog/ghg-protocol-assess-need-additional-guidance-building-existing-corporate-standards