

July 26, 2022

IFRS Foundation – ISSB
Columbus Building
7 Westferry Circus
Canary Wharf
London E14 4HD, UK

By e-mail: commentletters@ifrs.org

Re: Exposure Draft – IFRS S1, General Requirements for Disclosure of Sustainability-related Financial Information

The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 21,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned exposure draft.

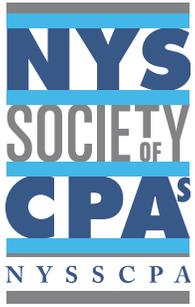
The NYSSCPA’s Sustainability Accounting and Reporting and International Accounting and Auditing Committees deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with us, please contact Sustainability Accounting and Reporting Committee Vice Chair Timothy Coville at (516) 650-6028 or International Accounting and Auditing Committee chair Richard C. Jones at (516) 463-6990 or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

A handwritten signature in black ink that reads "Lynne M. Fuentes CPA". The signature is written in a cursive style. Behind the signature, there is a faint, semi-transparent watermark of the NYSSCPA logo.

Lynne M. Fuentes
President

Attachment



**NEW YORK STATE SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS**

COMMENTS ON

**EXPOSURE DRAFT – GENERAL REQUIREMENTS FOR DISCLOSURE OF
SUSTAINABILITY-RELATED FINANCIAL INFORMATION**

July 26, 2022

Principal Drafters

**Matthew T. Clohessy
Edward F. Esposito
Thomas J. Goodfellow
Elliot L. Hendler
Richard C. Jones
Renee Mikalopas-Cassidy
Tracey J. Niemotko
Lisa F. Quint
Lily H. Wang**

NYSSCPA 2022–2023 Board of Directors

Lynne M. Fuentes, <i>President</i>	Rumbidzai N. Bwerinofa-Petrozzello	Kevin Matz
Liren Wei, <i>President-Elect</i>	Ramona Cedeno	Shmueli Milecki
Timothy J. Hammond, <i>Secretary/Treasurer</i>	Timothy J. Doyle, Jr.	John A. Mourer
Orumé A. Hays, <i>Vice President</i>	William H. Dresnack	Lisa Mrkall
William C. Huether, <i>Vice President</i>	Michael R. Durant	Ronald F. Ries
Alexander Resnick, <i>Vice President</i>	Mark L. Farber	William D. Ryan III
Barbara A. Marino, <i>Vice President</i>	Stephanie Gigliotti	Lenore Sanchez
Steven M. Morse, <i>Vice President</i>	Zachary Gordon	William F. Schwenk
Calvin H. Harris Jr., <i>ex officio</i>	John B. Huttlinger, Jr.	Sharon Sica-Costanzo
	Diane Jules	John M. Spatola
	Michael R. Koeppel	Denise M. Stefano
	Katelyn N. Kogan	Jennifer Stone
	Edward N. Lee	A’Isha Torrence
	Philip J. London	Mark M. Ulrich
	Philip Marciano	Natalie Verbanac
		Craig A. Zellar

NYSSCPA 2022–2023 Accounting and Auditing Oversight Committee

Diane L. Jules, <i>Chair</i>	Richard C. Jones	Robert M. Rollmann
Sharon Brenner	Ashley E. Mayer	George I. Victor
Jeannette S. Buttler	Renee Mikalopas-Cassidy	James R. White
Herbert M. Chain	Sean C. Prince	Margaret A. Wood

NYSSCPA 2022-2023 Sustainability Accounting and Reporting Committee

Timothy Coville, <i>Vice Chair</i>	Richard H. Kravitz	Renee Rampulla
Anthony J. Artabane	Stephen F. Langowski	Ronald F. Ries
Kathleen G. Brown	Vincent J. Love	Christopher A. Schreiber
Matthew T. Clohessy	Santa J. Marletta	Paulette M. Small
Edward F. Esposito	Edward Mendlowitz	Philip C. Sookram
George Fanourakis	Mitchell J. Mertz	Jeffrey R. Steinberg
Thomas P. Gallo	Renee Mikalopas-Cassidy	William M. Stocker III
Thomas J. Goodfellow	Shmueli Milecki	Jemimah Telford
Leon J. Gutmann	Christine A. Miller	A’Isha Torrence
Elliot L. Hendler	Tracey J. Niemotko	Linda M. Voce
Gregory R. Holden	Gina Omolon	Lori M. Voss
Gabriel M. Hunigan	Jason M. Palmer	Felicity L. Wasser
Richard C. Jones	Ilene L. Persoff	Robert N. Waxman
Glenn W. Kempa	Sujithkumar Pushpakaran	David C. Wright
J. Michael Kirkland	Lisa F. Quint	

NYSSCPA 2022–2023 International Accounting and Auditing Committee

Richard C. Jones, *Chair*
Andreas A. Alexandrou
Kathleen M. Bakarich
Francesco Bellandi
Michael Burke
Jeffery M. Gellman

Yamei Guo
Charles A. Harris II
Nicholas Hart
Jean-Pierre Henderson
Diane L. Jules
Michael R. McMurtry

Renee Mikalopas-Cassidy
Sean C. Prince
William M. Stocker III
George I. Victor
Lily H. Wang
Margaret A. Wood

NYSSCPA Staff

Keith Lazarus
Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

Exposure Draft – General Requirements for Disclosure of Sustainability-related Financial Information

The New York State Society of Certified Public Accountants (NYSSCPA or Society) welcomes the opportunity to respond to the International Sustainability Standards Board (ISSB) invitation to comment on its Exposure Draft, IFRS S1—General Requirements for Disclosure of Sustainability-related Financial Information (Exposure Draft).

We focused our attention on a selection of the questions for comment presented in the Exposure Draft. Our responses to those selected questions are presented below.

Responses to Questions

Question 1(D)—Overall approach: Do you agree that the requirements proposed in the Exposure Draft would provide a suitable basis for auditors and regulators to determine whether an entity has complied with the proposals? If not, what approach do you suggest and why?

Response: No. While we support the overall requirements proposed in the Exposure Draft, the challenge for auditors and regulators will be to confirm that an entity has recognized and addressed applicable sustainability risks and opportunities, since underlying assumptions are subjective and forward-looking in nature. In addition, entities may not necessarily be impacted by the same sustainability concerns. Thus, there is a missing link between the requirements provided in the Exposure Draft and the application guidance or roadmap needed for auditors and regulators.

Question 3—Scope (paragraphs 8–10): Do you agree that the proposals in the Exposure Draft could be used by entities that prepare their general-purpose financial statements in accordance with any jurisdiction’s GAAP (rather than only those prepared in accordance with IFRS Accounting Standards)? If not, why not?

Response: Yes. The Exposure Draft could potentially be used by entities that prepare their general-purpose financial statements in accordance with the jurisdiction’s generally accepted accounting principles (GAAP). However, it is left unknown whether other jurisdictions, such as the US Securities and Exchange Commission, will support and promote the proposals in this Exposure Draft.

We note that paragraph 62 of the Exposure Draft provides that, to the extent local laws or regulations prohibit an entity from including an explicit and unqualified statement that it has complied with all the requirements of the IFRS Sustainability Standards, and the entity omits

material information for that reason, the entity shall “identify the type of information not disclosed and explain the source of the restriction.”

Question 8—Materiality (paragraphs 56-62): The Exposure Draft defines material information in alignment with the definition in IASB’s Conceptual Framework for General Purpose Financial Reporting and IAS 1. Information ‘is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that the primary users of general-purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity’. However, the materiality judgements will vary because the nature of sustainability-related financial information is different to information included in financial statements. Whether information is material also needs to be assessed in relation to enterprise value. Material sustainability-related financial information disclosed by an entity may change from one reporting period to another as circumstances and assumptions change, and as expectations from the primary users of reporting change. Therefore, an entity would be required to use judgement to identify what is material, and materiality judgements are reassessed at each reporting date.

The Exposure Draft proposes that even if a specific IFRS Sustainability Disclosure Standard contained specific disclosure requirements, an entity would need not to provide that disclosure if the resulting information was not material. Equally, when the specific requirements would be insufficient to meet users’ information needs, an entity would be required to consider whether to disclose additional information. This approach is consistent with the requirements of IAS 1. The Exposure Draft also proposes that an entity need not disclose information otherwise required by the Exposure Draft if local laws or regulations prohibit the entity from disclosing that information. In such a case, an entity shall identify the type of information not disclosed and explain the source of the restriction. [Four questions for Q8, 8(a) through 8(d), follow.]

Question 8(a): Is the definition and application of materiality clear in the context of sustainability-related financial information? Why or why not?

Response: Yes. The definition and application of materiality are clear, however, as that discussion is based on a subjective evaluation of materiality, we cannot offer a “blanket” statement that the definition is operational until we see it enumerated in specific sustainability-related guidance.

Question 8(b): Do you consider that the proposed definition and application of materiality will capture the breadth of sustainability-related risks and opportunities relevant to the enterprise value of a specific entity, including over time? Why or why not?

Response: No. We believe that the discussion in paragraph 57 of the Exposure Draft, which establishes “enterprise value” as a basis for making materiality judgements offers a quantitative threshold that entities will adopt so that they can argue that a specific disclosure is not material. Enterprise value is a financial metric which, as defined, is equal to the sum of market capitalization and net debt. Net debt is not defined by the Exposure Draft, however, in practice

net debt is the sum of an entity's short-term and long-term debt less cash assets and cash equivalents.¹

We believe that the ISSB should not propose a financial markets metric, or any other metric, as a basis for assessing quantitative materiality. Instead, we propose that the ISSB adopt language consistent with the full IASB definition and explanation of reporting materiality, which is:

“Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial reports [...reference omitted...] make on the basis of those reports, which provide financial information about a specific reporting entity.” *In other words, materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which information relates in the context of an individual entity's financial report. Consequently, the Board cannot specify a uniform quantitative threshold for materiality or predetermine what could be material in a particular situation.* [¶2.11 of the IASB Conceptual Framework. Emphasis added]

Question 12—Statement of compliance (paragraphs 91-92): The Exposure Draft proposes that for an entity to claim compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all of the requirements of applicable IFRS Sustainability Disclosure Standards. Furthermore, the entity would be required to include an explicit and unqualified statement that it has complied with all of these requirements. The Exposure Draft proposes a relief for an entity. It would not be required to disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that information. An entity using that relief is not prevented from asserting compliance with IFRS Sustainability Disclosure Standards. Do you agree with this proposal? Why or why not? If not, what would you suggest and why?

Response: Yes. It is reasonable that if an entity claims compliance with IFRS Sustainability Disclosure Standards, it would be required to comply with the proposals in the Exposure Draft and all the requirements of applicable IFRS Sustainability Disclosure Standards, and that it would include an explicit and unqualified statement, as well. However, the issue arises whether an entity would be prohibited from doing so by local laws or regulations. Perhaps this provision would be more clear if entities were given the option to comply, if not mandated to do so, within their operating jurisdictions.

Question 14—Global baseline: IFRS Sustainability Disclosure Standards are intended to meet the needs of the users of general-purpose financial reporting to enable them to make assessments of enterprise value, providing a comprehensive global baseline for the assessment of enterprise value. Other stakeholders are also interested in the effects of sustainability-related risks and opportunities. Those needs may be met by requirements set by others, including regulators and jurisdictions. The ISSB intends that such requirements by others could build on the comprehensive global baseline established by the IFRS Sustainability Disclosure Standards.

¹ See Investopedia <https://www.investopedia.com/terms/e/enterprisevalue.asp>. As an example, the enterprise value for Apple, Inc. is approximately, \$2.3 trillion, an amount that, based on their most recently issued 10K, is 6x their total assets, 35x their net equity, and 23x their net income.

Are there any particular aspects of the proposals in the Exposure Draft that you believe would limit the ability of IFRS Sustainability Disclosure Standards to be used in this manner? If so, what aspects and why? What would you suggest instead, and why?

Response: Yes. Overall, we agree that there are no particular aspects of the proposals that appear to limit the ability of IFRS Sustainability Disclosure Standards to be used as a global baseline. However, we encourage the ISSB to continue to work with other regulators to achieve consistency, comparability, and relevance with sustainability disclosures. To this end, it would be valuable if an update could be provided regarding the status of support provided for the proposals presented in this Exposure Draft by various regulators and jurisdictions.

Question 17—Other comments: Do you have any other comments on the proposals set out in the Exposure Draft?

Response: Yes. We believe a code of ethics must cover the professionals who are preparing and providing assurance for general purpose financial reports in accordance with IFRS Sustainability Disclosure Standards. We concur with International Ethics Standards Board for Accountants (IESBA) to: “advocate the importance of high standards of ethical behavior, and the role and contributions of the IESBA Code in meeting the markets’ need for trustworthy sustainability reporting.”