NYS SOCIETY OF CPAs
NYSSCPA

May 23, 2022

U.S. Securities and Exchange Commission
100 F Street NE
Washington, DC 20549

By e-mail: rule-comments@sec.gov

Re: The Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22)

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 proposed rule.

The NYSSCPA's Sustainability Accounting and Reporting Committee deliberated the proposed rule 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 Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,

Rumbi Bwerinofa-Petrozzello
President

Attachment

NEW YORK STATE SOCIETY OF

CERTIFIED PUBLIC ACCOUNTANTS

COMMENTS ON

THE ENHANCEMENT AND STANDARDIZATION OF CLIMATE-RELATED DISCLOSURES FOR INVESTORS
(File No. S7-10-22)

May 23, 2022

Principal Drafters

Matthew T. Clohessy
Timothy Coville
Edward F. Esposito
Thomas J. Goodfellow
Elliot L. Hendler
Tracey J. Niemotko
Robert N. Waxman

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NYSSCPA Staff

Keith Lazarus
Ernest J. Markezin

New York State Society of Certified Public Accountants

Comments on

The Enhancement and Standardization of Climate-Related Disclosures for Investors (File No. S7-10-22)

The New York State Society of Certified Public Accountants (NYSSCPA or Society) welcomes the opportunity to respond to the Securities and Exchange Commission's (SEC or Commission) invitation to comment on its proposed rule, The Enhancement and Standardization of Climate-Related Disclosures for Investors (Proposal).

General Comments

We support the SEC's Proposal to clearly mandate climate-related disclosures and third-party assurance requirements. Capital markets participants, including investors and their asset-managers, have been demanding consistent, comparable, and reliable climate-related disclosures for some time.

One recent piece of evidence for this can be seen from organizations such as Bank of America, BlackRock, AXA, and the Big 4 Accounting firms having joined the Glasgow Financial Alliance for Net Zero (GFANZ), an alliance with "over 450 financial institutions representing assets under management of more than $130 trillion across 45 countries."[1]. Many of the GFANZ members have been demanding that public companies show credible climate emission data consistent with the Task Force on Climate-Related Financial Disclosure (TCFD) framework and that of the Greenhouse Gas (GHG) Protocol, as evidenced in a September 2020 World Economic Forum white paper[2]. Accordingly, the Proposal leverages these frameworks (i.e., the TCFD and the GHG) by requiring analogous disclosures in registrants' annual reports, Forms 10-K or 20-F, and certain registration statements. Because of these proposed disclosures and the envisioned increase in the quality and scope of attestation requirements, we support this SEC Proposal.

Our responses to selected questions for comment follow.

Responses to Select Questions

[1] Bloomberg press release, "UN Special Envoy for Climate Ambition and Solutions . . .," November 2, 2021, https://www.bloomberg.com/company/press/un-special-envoy-for-climate-ambition-and-solutions-michael-r-bloomberg-joins-un-special-envoy-on-climate-action-and-finance-mark-carney-as-co-chair-for-gfanz/

[2] World Economic Forum white paper, "Measuring Stakeholder Capitalism -Towards Common Metrics and Consistent Reporting of Sustainable Value Creation," September 2020, https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation?msclkid=ffc3d988c70611ec9f4b909bdb2c9433

Question: Paragraph 152 of the Proposal states that, "Accountants are already required to comply with the relevant quality control and management standards when providing audit and attest services under the PCAOB, AICPA, or IAASB standards. These quality control and management standards would apply to accountants providing GHG attestation services pursuant to those standards as well." "Should we require the GHG emissions attestation provider to comply with additional minimum quality control requirements (e.g., acceptance and continuance of engagements, engagement performance, professional code of conduct, and ethical requirements) to provide greater consistency over the quality of service provided by GHG emissions attestation providers who do not (or cannot) use the PCAOB, AICPA, or IAASB attestation standards? If so, what should the minimum requirements be?"

Response: Yes, the GHG emissions attestation provider should be required to comply with additional minimum quality control requirements (e.g., acceptance and continuance of engagements, engagement performance, professional code of conduct, and ethical requirements) to provide greater consistency over the quality of service provided by GHG emissions attestation providers, when such a provider does not already use the PCAOB, AICPA, or IAASB attestation standards. Additionally, such an increase in quality control requirements would provide the users of these annual filings a more consistent expectation about the level of assurance throughout these reports. The minimum requirements should be the equivalent of those currently set in the PCAOB, AICPA, or IAASB attestation standards.

In support of this, and as evidence of the magnitude of these assurance services and the implied importance of the need for oversight, we note the findings in a recent survey where 80 percent of the top 100 companies in a sample of countries worldwide reported on sustainability data, with 71 percent of the G250 (the 250 largest Fortune 500 companies by revenue in 2019) providing external assurance on their sustainability reports[3], as evidence of the magnitude of these assurance services and the implied importance of the need for oversight. It is important that this emerging sector be regulated and that these assurance services be provided by appropriately trained professionals, namely certified public accountants (CPAs), or their international equivalents.

As part of their licensure requirements, CPAs are continuously educated in conducting effective audits to increase stakeholder confidence in the published data. In a study of 2,339 sustainability reports issued by companies in 42 countries,[4] the authors concluded that, "Accounting firms appear to have a competitive advantage over nonaccounting firm assurance providers. While nonaccounting assurance providers can help improve reporting quality in the area of enhancements or updates of information included in sustainability reports, our findings suggest the improvements resulting from accounting firm assurance providers are more pronounced, and they also are capable of detecting and preventing reporting errors for their clients. In contrast, our findings do not find a relationship between restatements related to the detection or prevention of errors and using nonaccounting firm assurance providers."

Just as CPAs are trained to conduct themselves with professional skepticism, objectivity, and independence when it comes to the audits of financial reports, CPAs will apply these professional

[3] https://assets.kpmg/content/dam/kpmg/xx/pdf/2020/11/the-time-has-come.pdf

[4] https://www.journalofaccountancy.com/news/2019/oct/sustainability-assurance-link-to-reporting-quality-201919354.html?msclkid=1677d403c19b11ecb2281a29605bfa02

standards to the audits of non-financial sustainability reports as well. Their rigorous instruction includes compliance training with the AICPA Code of Professional Conduct as well as the SEC's and Sarbanes-Oxley's rules of independence.

Question: Paragraph 144 asks, "should we require a GHG emissions attestation provider to be a PCAOB-registered audit firm?"

Response: Yes, the SEC should require a GHG emissions attestation provider to be a PCAOB-registered audit firm. This will:

- provide for greater consistency over the quality of the service provided,
- address other quality control issues, and
- allow for these attestation reports to be provided pursuant to standards that are publicly available at no cost and that are established by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment.

Another important consideration is the potential conflict with state professional licensing provisions. According to Section 7401, Item 1 of Article 149, Public Accountancy, of the New York State Education Law, the practice of the profession of public accountancy is defined as "offering to perform or performing attest and/or compilation services." Further, Section 7401(A), defines attest or assurance services to include "any audit to be performed in accordance with generally accepted auditing standards or other similar standards, developed by a federal governmental agency, commission or board or a recognized international or national professional accountancy organization, that are acceptable to the department in accordance with the commissioner's regulations."[5] Because the SEC, which is an independent federal government regulatory agency, is developing standards for assurance services for non-financial sustainability reporting, a case can be made that these services should be under the purview of services to be performed by licensed accounting professionals according to New York State Article 149.

Therefore, to comply with professional licensing requirements and to provide greater consistency over the quality of assurance services, GHG emissions attestation providers should be CPAs or their international equivalents – appropriately trained professionals with the expertise to perform these critical non-financial assurance services effectively.

Question: Paragraph 189 asks, "If we adopt an alternative reporting provision, should that provision be structured to encompass reports made pursuant to criteria developed by a global sustainability standards body, such as the ISSB [International Sustainability Standards Board]?"

Response: Yes, the SEC should adopt an alternative reporting provision. Specifically, it should accept a registrant's annual report that complies with the proposed ISSB sustainability disclosure standards, once finalized.

Question: Paragraph 189 further asks, "If so, should such alternative reporting be limited to foreign private issuers, or should we extend this option to all registrants?"

[5] http://www.op.nysed.gov/prof/cpa/article149.htm

Response: The alternative reporting provision should extend to all registrants. Our rationale is that the International Organization of Securities Commissions (IOSCO), which is recognized as the "global standard setter for securities regulation, [covering] more than 95% of the world's securities markets in some 130 jurisdictions,"[6] has stated they will perform a "review of these draft standards, with a view to informing its potential endorsement of the final standards."[7] In addition, the ISSB's recent exposure draft on climate disclosure leverages both the TCFD framework and the GHG Protocol, discussed above.

Since the ISSB sustainability disclosure standards are intended to be a global baseline of sustainability disclosures, they will make it easier for investors to compare companies' climate-related risks and opportunities.

Question: Lastly, Paragraph 189 asks "What conditions, if any, should we place on a registrant's use of alternative reporting provisions based on the ISSB or a similar body?

Response: We recommend that the SEC place the following conditions on registrant's use of alternative reporting provisions:

1) The registrant must obtain assurance, by a CPA firm or an international equivalent, at the same level, either limited or reasonable, phased in as required by this SEC Proposal for registrants not opting to use this alternative reporting provision.
2) The SEC should identify provisions in this Proposal that are still required to be met when registrants use ISSB Sustainability Disclosure Standards as an alternative reporting provision. To ensure registrants have adequate guidance, we recommend the SEC provide an outline of where this SEC Proposal's requirements and ISSB Standards overlap, where divergent requirements exist, and which of the divergent areas where the SEC has more robust requirements would registrants still be required to comply, when using ISSB Standards as an alternative reporting provision.

[6] https://www.iosco.org/about/?subsection=about_iosco
[7] https://www.iosco.org/news/pdf/IOSCONEWS638.pdf