

June 11, 2021

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

By e-mail: [rule-comments@sec.gov](mailto:rule-comments@sec.gov)

**Re: Request for Comments on Climate Change Disclosures**

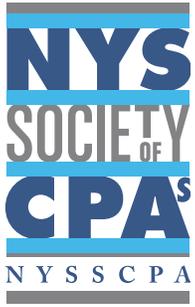
The New York State Society of Certified Public Accountants (NYSSCPA), representing more than 22,000 CPAs in public practice, industry, government and education, welcomes the opportunity to respond to the above-captioned request for comments.

The NYSSCPA's Sustainability Accounting and Reporting Committee deliberated the comment request and prepared the attached comments. If you would like additional discussion with us, please contact 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  
REQUEST FOR COMMENTS ON CLIMATE CHANGE DISCLOSURES**

**June 11, 2021**

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# **New York State Society of Certified Public Accountants**

## **Comments on**

### **Request for Comments on Climate Change Disclosures**

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 Climate Change Disclosures. We support the Commission's proposal to clarify and improve the 2010 Climate Change Guidance.

#### **General Comments**

The NYSSCPA encourages its members to become involved in the dialogue concerning financial reporting requirements, disclosures (voluntary and mandated), assurance, and compliance matters surrounding new and developing integrated reporting, environmental reporting and social responsibility reporting. This developing reporting dialogue encompasses all sectors from the perspective of resource management and compliance, including corporate governance, regulatory compliance and board and stakeholder relationships, for all organizations.

Our interest in this area is furthered by our Sustainability Accounting and Reporting Committee that has specific interest in reporting standards, frameworks, guidelines, and related evolving dialogues with entities having public interest responsibilities such as the SEC, AICPA<sup>1</sup>, FASB<sup>2</sup>, IFAC<sup>3</sup>, IFRS Foundation<sup>4</sup>, PCAOB<sup>5</sup>, the leaders in sustainability accounting and ESG<sup>6</sup> reporting such as the CDP<sup>7</sup>, GRI<sup>8</sup>, IIRC<sup>9</sup>, SASB<sup>10</sup>, and other organizations, professionals, and members of academia.

We believe the initiative on climate change disclosures is necessary to provide transparency, consistency, reliability, clarity, and uniformity among reporting entities. This will 1) enhance investors' understanding of the risks and opportunities that climate change imposes on and offers to the issuer and 2) provide information that is useful to the many investors who consider environmental effects in their investment decisions.

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<sup>1</sup> American Institute of Certified Public Accountants

<sup>2</sup> Financial Accounting Standards Board

<sup>3</sup> International Federation of Accountants

<sup>4</sup> IFRS Foundation, which has oversight of the International Accounting Standards Board (IASB) and development of International Financial Reporting Standards (IFRSs)

<sup>5</sup> Public Company Accounting Oversight Board

<sup>6</sup> Environment Social & Governance

<sup>7</sup> Carbon Disclosure Project

<sup>8</sup> Global Reporting Initiative

<sup>9</sup> International Integrated Reporting Council

<sup>10</sup> Sustainability Accounting Standards Board

Although not in the SEC’s specific charge, enhanced information will also serve the public interest by raising the public’s awareness around climate change issues.

While the discussion around climate change disclosures and metrics continues to evolve, there are already many existing registrant required disclosures which naturally align with the issues and concerns around climate change, such as those related to business risk, commitments and contingencies, and business valuation impairment considerations. Existing SEC disclosure requirements in annual and interim financial statements, periodic filings and Management Discussion & Analysis (MD&A) sections can be adapted to address the various direct and indirect climate change risks and opportunities which are presented to registrants, and which should be disclosed on a comprehensive basis in SEC filings.

The Commission should leverage existing disclosures, measurements and systems of assessment and certifications which have been developed since 1997, starting with the GRI and CDP which have wide global reach, and since 2010, by the IIRC on integrated reporting and the comprehensive industry-focused SASB<sup>11</sup> (collectively referred to as climate change frameworks). Each have different approaches which can be applied based on the circumstances and relevance to the registrant.

Our responses to the specific questions for respondents follow.

## **Questions for Consideration and Responses**

**Question 1: How can the Commission best regulate, monitor, review, and guide climate change disclosures in order to provide more consistent, comparable, and reliable information for investors while also providing greater clarity to registrants as to what is expected of them? Where and how should such disclosures be provided? Should any such disclosures be included in annual reports, other periodic filings, or otherwise be furnished?**

**Response:** The Commission can leverage existing disclosure requirements for registrants by expanding the current typical disclosures to encompass the short-term and long-term impacts, both direct and indirect, of climate change issues. While climate change disclosures and metrics continue to evolve there are already many existing disclosures which naturally relate to the issues and concerns around climate change.

Business risk disclosures, client impact risks and supply chain matters such as adequate natural resources and water supply should be included as climate change disclosures. Commitments and contingencies disclosure should address incremental insurance and property risk exposures due to water levels and weather events, labor displacement and other industry trends due to climate change such as efforts to produce low-carbon products. Management’s assessment of impairment of intangibles and going concern

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<sup>11</sup> In November 2020 the IIRC and SASB announced their intention to merge in a new unified organization. On June 9, 2021 IIRC and SASB officially announced their merger to form the Value Reporting Foundation.

should include considerations for potential climate change impacts in near-term and long-term business projections in their assumptions.

Existing SEC disclosure requirements in annual and interim financial statements, periodic filings and MD&A sections can be adapted to address these various direct and indirect climate change risks and opportunities which are presented to registrants and which should be disclosed on a comprehensive basis in SEC filings.

**Question 2: What information related to climate risks can be quantified and measured? How are markets currently using quantified information? Are there specific metrics on which all registrants should report (such as, for example, scopes 1, 2, and 3 greenhouse gas emissions, and greenhouse gas reduction goals)? What quantified and measured information or metrics should be disclosed because it may be material to an investment or voting decision? Should disclosures be tiered or scaled based on the size and/or type of registrant? If so, how? Should disclosures be phased in over time? If so, how? How are markets evaluating and pricing externalities of contributions to climate change? Do climate change related impacts affect the cost of capital, and if so, how and in what ways? How have registrants or investors analyzed risks and costs associated with climate change? What are registrants doing internally to evaluate or project climate scenarios, and what information from or about such internal evaluations should be disclosed to investors to inform investment and voting decisions? How does the absence or presence of robust carbon markets impact firms' analysis of the risks and costs associated with climate change?**

**Response:** Information related to climate risks that can be quantified include measures related to greenhouse gases (GHG), energy use, and to direct and indirect effects of climate change on registrants, as developed under the GHG Protocol.<sup>12</sup> All metrics discussed below should be disclosed when appropriate (relevant to the registrant's circumstances) since they likely would all be material to an investment or voting decision.

Greenhouse gas measures include CO<sub>2</sub> equivalent emissions, CO<sub>2</sub>, Methane, NO<sub>x</sub>, SO<sub>x</sub> and F-gas emissions, CO<sub>2</sub> intensity (emissions per unit of revenue) and emissions divided into Scope 1, Scope 2, and Scope 3 emissions. Energy use data includes energy used per unit of revenue, total energy used, and percentage provided by wind, solar, hydro, wave, or geothermal sources. Emissions reduction targets are important measures and could be broken down further into use of renewables versus carbon offsets.

Data on supply chain risks from extreme weather events or from drought stressed areas can be gathered. Supply input percentages from certified sustainable agriculture, forests or aquaculture can be calculated. Lists or estimated values of assets at risk from extreme weather events, sea level rise or wildfires can be reported. Measures can include assets

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<sup>12</sup> [Greenhouse Gas Protocol \(ghgprotocol.org\)](http://ghgprotocol.org) was developed jointly in 1998 by World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) and is utilized in the GRI and SASB frameworks.

that are at risk from the transition away from fossil fuels. Participation in legislative action, political contributions or lobbying either for or against climate regulation can also be quantified.

Markets can use these measures in efforts to fund sustainable investment and to steer capital towards activities that reduce climate change risk.

All registrants should provide Scope 1 and Scope 2 GHG emissions calculated in accordance with the GHG Protocol methodology and should also provide GHG intensity ratios. They should estimate and report material upstream and downstream impacts of GHG Protocol Scope 3 emissions. Where appropriate, CDP and Task Force on Climate-Related Financial Disclosures (TCFD)<sup>13</sup> and World Economic Forum (WEF) Common Metrics recommendations should also be considered. Registrants should report CO<sub>2</sub> emissions targets along with time frames and historical data on emissions. All registrants should report on total energy used, energy intensity and percentage of renewables in energy usage. All registrants should also report assets at risk from extreme weather, sea level rise or wildfires.

Climate change disclosures should be tiered for smaller enterprises or other identified registrants providing a simplified set of metrics limited to Scope 1 and Scope 2 GHG emissions, GHG reduction targets, total energy used and energy intensity, subject to the relevancy to smaller enterprises. See our responses to Questions 10 and 11 regarding timing.

Investors are increasingly interested in investing in enterprises that are addressing climate change. Long-term investors such as pension funds have divested from entities contributing to climate change or have engaged as shareholders in pushing entities to transition to clean energy. Investors are exhibiting desires to decarbonize their portfolios and invest in green solutions. It may be expected that entities that contribute directly to climate change or that have high risks to their business from climate change would have higher costs of capital. The increasing investments in green bonds, climate action and low carbon and clean energy mutual funds, demonstrate that investors are responding to climate risk. As accountants, we see this interest in green investing and in starting business lines that address climate change in some of our smallest business owners.

**Question 3: What are the advantages and disadvantages of permitting investors, registrants, and other industry participants to develop disclosure standards mutually agreed by them? Should those standards satisfy minimum disclosure requirements established by the Commission? How should such a system work? What minimum disclosure requirements should the Commission establish if it were to allow industry-led disclosure standards? What level of granularity should be used to define industries (e.g., two-digit SIC, four-digit SIC, etc.)?**

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<sup>13</sup> CDP climate change questionnaires are fully aligned with the TCFD recommendations. The CDP was formed over 20 years ago and has over 10,000 reporting entities in over 100 countries and a database of reports (cdp.net).

**Response:** See our response to Question 4.

**Question 4: What are the advantages and disadvantages of establishing different climate change reporting standards for different industries, such as the financial sector, oil and gas, transportation, etc.? How should any such industry-focused standards be developed and implemented?**

**Response:** The primary advantage of establishing different industry-specific climate change reporting standards is the ability to avoid requiring that every reporting entity report metrics that are unlikely to be financially relevant or material, for themselves and others, in their industry. The primary disadvantage of establishing different industry-specific climate change reporting standards is that users of these reports will have to adjust to each industry's unique set of metrics.

We would contend that there is no need for the all or nothing in common, between industries, approach that this question implies. There should be a common set of climate change reporting metrics required across industries, i.e., each reporting entity's Scope 1, Scope 2, and Scope 3 GHG CO<sub>2</sub> equivalents, with registrants using the same organizational boundary that the registrants use for their traditional financial reports. Then, in addition to those three cross-industry metrics, industry-specific metrics should be required of all the reporting entities in the relevant industry. For example, financial sector reporting entities would report both the dollar amount and percentage of their total lending in fossil-fuel linked companies.

**Question 5: What are the advantages and disadvantages of rules that incorporate or draw on existing frameworks, such as, for example, those developed by the Task Force on Climate-Related Financial Disclosures (TCFD), the Sustainability Accounting Standards Board (SASB), and the Climate Disclosure Standards Board (CDSB)? Are there any specific frameworks that the Commission should consider? If so, which frameworks and why?**

**Response:** A comprehensive, uniform, codified set of accounting and reporting standards on climate change disclosures is required for greater clarity, governance, guidance, and consistency. The advantage of incorporating existing climate change frameworks is that it will accelerate the development of a standard set of rules that encompass the details, complexities, and legalities of corporate accounting and reporting.

A considerable number of registrants already use established climate change frameworks and metrics in various forms of public reporting and ESG reports. This use of existing climate change frameworks provides the SEC with the ability to act quickly to determine its required climate disclosure guidance without having to reinvent what already exists. Using these existing frameworks will reduce maintenance and administrative efforts required of the SEC and relates to Question 6 about updates and changes over time. This approach is also consistent with the SEC's existing use of third-party standard-setters, such as the FASB and Committee of Sponsoring Organizations of the Treadway Commission (COSO).

The disadvantage of incorporating existing climate change frameworks is it will require these third-party standard-setters to understand, interpret and ensure consistency with their current standards, arrive at a consensus on what frameworks or elements of frameworks are acceptable, and establish reporting materiality. Another disadvantage from drawing on existing climate change frameworks is that the SEC will have less hands-on direct control of the direction of the considerable work involved to establish and maintain such frameworks and their associated metrics.

The Commission should collaborate with FASB, IASB, SASB, IIRC and the GRI. The FASB and IASB are the primary global accounting and reporting third-party standard-setters and the GRI, SASB and IIRC are leaders in sustainability and ESG reporting guidance and climate change frameworks. The reasons to adopt existing climate change frameworks are tied to the advantages mentioned above, along with their rigorous and transparent processes and their focus on material information, which is consistent with the SEC's existing understanding of what materiality means in the U.S. Capital Markets.

**Question 6: How should any disclosure requirements be updated, improved, augmented, or otherwise changed over time? Should the Commission itself carry out these tasks, or should it adopt or identify criteria for identifying other organization(s) to do so? If the latter, what organization(s) should be responsible for doing so, and what role should the Commission play in governance or funding? Should the Commission designate a climate or ESG disclosure standard-setter? If so, what should the characteristics of such a standard setter be? Is there an existing climate disclosure standard setter that the Commission should consider?**

**Response:** Consistent with our response to Question 5, these disclosure requirements should change over time through the processes at the third-party standard-setters the SEC charges with this work. This would be consistent with FASB's ongoing mandate to maintain Generally Accepted Accounting Principles (GAAP) as the SEC's designated accounting standard for public companies.

The SEC should not carry out the tasks of updating and maintaining the climate change frameworks. Instead, the Commission should adopt criteria to incorporate the climate change frameworks of SASB<sup>14</sup> and GRI<sup>15</sup>.

The Commission could model its role in governance and funding of climate change frameworks consistent with its existing arms-length relationship with the FASB. The climate change frameworks should have and maintain the same FASB characteristics of independence and transparency, be guided by well communicated concepts and should be a non-profit. For example, the SASB currently meets these characteristics through its joint

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<sup>14</sup> The SASB has ESG guidelines tailored to 77 different industries.

<sup>15</sup> The GRI has Universal Standards which are then tailored by Topic Standards. GRI is aligned with many international organizations such as the International Organization of Standardization (ISO) and ISO 26000 Guidance on Social Responsibility and the CDP.

efforts with TCFD to address the SEC's current focus on climate related disclosures. SASB appears to be well positioned to support other dimensions of ESG reporting, as and when the SEC chooses to require them.

**Question 7: What is the best approach for requiring climate-related disclosures? For example, should any such disclosures be incorporated into existing rules such as Regulation S-K or Regulation S-X, or should a new regulation devoted entirely to climate risks, opportunities, and impacts be promulgated? Should any such disclosures be filed with or furnished to the Commission?**

**Response:** See our response to Question 1.

**Question 8: How, if at all, should registrants disclose their internal governance and oversight of climate-related issues? For example, what are the advantages and disadvantages of requiring disclosure concerning the connection between executive or employee compensation and climate change risks and impacts?**

**Response:** See our response to Question 1. We would also point to the reporting approach by the IIRC which integrates the actions and goals of the registrants in their approach to internal governance and oversight by management.

**Question 9: What are the advantages and disadvantages of developing a single set of global standards applicable to companies around the world, including registrants under the Commission's rules, versus multiple standard setters and standards? If there were to be a single standard setter and set of standards, which one should it be? What are the advantages and disadvantages of establishing a minimum global set of standards as a baseline that individual jurisdictions could build on versus a comprehensive set of standards? If there are multiple standard setters, how can standards be aligned to enhance comparability and reliability? What should be the interaction between any global standard and Commission requirements? If the Commission were to endorse or incorporate a global standard, what are the advantages and disadvantages of having mandatory compliance?**

**Response:** The main advantage of a single set of global standards is the enhancement in comparability between businesses in different countries. The principal disadvantage is incorporating the differing social, governmental, legal, regulatory and tax requirements of different countries.

We believe that the U.S. standard-setters should collaborate with the international standard-setters and develop universal uniform sustainability and ESG accounting and reporting standards. A baseline global set of standards may simplify the process, however, allowing individual jurisdictions to shape their own guidance will lead to lack of consistency in accounting and reporting. One set of comprehensive globally accepted standards is clearly more satisfactory.

The Commission should work with FASB and IASB to identify which climate change frameworks are acceptable to generate comparable and reliable information. The Commission and these standards setters should pool resources globally and work in partnership to develop uniform sustainability accounting and reporting standards.

The disadvantage to the Commission of incorporating existing climate change frameworks is that it will require existing standard-setters to understand, interpretate, and to ensure consistency with their current standards, arrive at a consensus on what framework or elements of frameworks are acceptable, and establish reporting materiality.

**Question 10: How should disclosures under any such standards be enforced or assessed? For example, what are the advantages and disadvantages of making disclosures subject to audit or another form of assurance? If there is an audit or assurance process or requirement, what organization(s) should perform such tasks? What relationship should the Commission or other existing bodies have to such tasks? What assurance framework should the Commission consider requiring or permitting?**

**Response:** The climate change disclosures under any such standards should be subject to the same quality and level of enforcement and assessment as other disclosures found in the MD&A, notes to the financial statements or other reporting, and the level of attestation indicated; subject to an appropriate phase-in period to allow for the appropriate level of learning and application of these concepts.

Climate change specific disclosures should be assessed based on the frameworks in which they are presented. For example, under SASB, materiality is first mapped to determine climate change disclosure requirements. These disclosures would not necessarily be determined under the same financial metrics as a required disclosure for the financial statements. In contrast, a potential or asserted environmental liability would be determined based on requirements for disclosure and accrual of a liability under SEC requirements.

**Question 11: Should the Commission consider other measures to ensure the reliability of climate-related disclosures? Should the Commission, for example, consider whether management's annual report on internal control over financial reporting and related requirements should be updated to ensure sufficient analysis of controls around climate reporting? Should the Commission consider requiring a certification by the CEO, CFO, or other corporate officer relating to climate disclosures?**

**Response:** The reliability of these disclosures should be subject to the same criteria to determine reliability as other disclosures found in MD&A, notes to financials, or other reporting. The CEO, CFO and other corporate officers should certify to these disclosures the same as any other disclosures.

There should be a significant transitional period, prior to requiring certification, to encourage the use of the disclosures but to also provide time for the development of adequate systems of internal controls so that the disclosures are reliable.

**Question 12: What are the advantages and disadvantages of a “comply or explain” framework for climate change that would permit registrants to either comply with, or if they do not comply, explain why they have not complied with the disclosure rules? How should this work? Should “comply or explain” apply to all climate change disclosures or just select ones, and why?**

**Response:** As these standards and disclosures develop and are enacted, it would be more advantageous to understand which baseline disclosures apply to all registrants and which apply to certain industries or types of registrants.

Registrants should only need to comply or explain non-compliance for those disclosures which are applicable to the specific registrant and its identified industry.

**Question 13: How should the Commission craft rules that elicit meaningful discussion of the registrant’s views on its climate-related risks and opportunities? What are the advantages and disadvantages of requiring disclosed metrics to be accompanied with a sustainability disclosure and analysis section similar to the current Management’s Discussion and Analysis of Financial Condition and Results of Operations?**

**Response:** We suggest that the Commission leverage the work of the leading sustainability standard-setters and framework providers, which includes the CDP, Climate Disclosure Standards Board (CDSB), GRI, IIRC, and the SASB (the Group of 5). The Group of 5, along with the TCFD, recently developed a “prototype climate-related financial disclosure standard”<sup>16</sup> that contains both qualitative and quantitative disclosures. The significant advantage of quantitative metrics is that it provides comparability to other companies in the same and different industries. We recommend that the Commission adopt this “prototype climate-related financial disclosure standard.”

**Question 14: What climate-related information is available with respect to private companies, and how should the Commission’s rules address private companies’ climate disclosures, such as through exempt offerings, or its oversight of certain investment advisers and funds?**

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<sup>16</sup> CDP, Climate Disclosure Standards Board (CDSB), Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC), and SASB, *Reporting on Enterprise Value* (December 2020).

**Response:** SASB, GRI and the “prototype climate-related financial disclosure standard” can all be applied to private companies as well. Accordingly, we suggest that the Commission review how these standards can be applied to private companies subject to SEC rules and jurisdiction, such as exempt offerings or certain investment advisers and funds.

**Question 15: In addition to climate-related disclosure, the staff is evaluating a range of disclosure issues under the heading of environmental, social, and governance, or ESG, matters. Should climate-related requirements be one component of a broader ESG disclosure framework? How should the Commission craft climate-related disclosure requirements that would complement a broader ESG disclosure standard? How do climate-related disclosure issues relate to the broader spectrum of ESG disclosure issues?**

**Response:** Yes, climate-related requirements should be one component of a broader ESG disclosure framework. SASB and GRI are U.S. based sustainability standard-setters. Their standards are widely used by investors and global companies. Therefore, we believe GRI standards which are fully developed and internally used, and SASB standards, which are industry-specific and consistent with U.S. capital markets concepts of financial materiality, can be used as a foundation for broader ESG disclosure issues.

As the SEC uses the FASB as a third-party standard-setter for financial accounting standards, the SEC should use third-party standard-setters with respect to sustainability accounting standards. The SEC should also leave open the possibility of using standards adopted by the IFRS Foundation’s proposed International Sustainability Standards Board.