NASBA
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June 14, 2022

The Honorable Gary Gensler, Chair
U.S. Securities and Exchange Commission (SEC)
100 F Street NE
Washington, D.C. 20549-1090

Via email: rule-comments@sec.gov

Re: **Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors – File No. S7-10-22**

Dear Chair Gensler:

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the Proposed Rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors (the Proposal). NASBA's mission is to enhance the effectiveness and advance the common interests of the Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the Proposal.

Attestations

General

The Proposal's purpose is to drive standardized, reliable disclosures of climate-related information to promote increased confidence in the information for investors. The Proposal does not define the individuals or organizations that can provide these attestation services. The Proposal outlines that any attestation report must be provided pursuant to standards that are publicly available by a body or group that has followed due process procedures, including the broad distribution of the framework for public comment.

The public accounting profession has professional standards, systems of quality management, and independence requirements in place to position CPAs and CPA firms to provide attestation services. Such professional standards result from due process procedures which include broad distribution of the standards and framework for public comment.

Virtually all of the State Boards do not allow non-CPAs to perform attestation services or issue reports under the professional standards governing the public accounting profession. We believe that permitting non-CPAs who are not subject to standards that result from such due process procedures to provide attestation services is not in the public interest. Greater clarity as to intended sources of attestation services should be provided. If non-CPAs are permitted to perform these attestation services, then regulations must be developed to build the intellectual infrastructure, including independence requirements, quality management systems and peer review inspections outside of the professional standards governing the public accounting profession.

Limited and Reasonable Assurance

Section 229.1505 of the Proposal uses the terms “limited assurance” and “reasonable assurance” in referencing attestation reports. CPAs and CPA firms would have an understanding of those terms from their definitions in the professional standards governing the public accounting profession. If indeed there is the intent to permit professionals outside of the public accounting profession to perform required attestation services, issues can arise. Non-CPA providers of attestation reports may have different levels of understanding on what is meant by limited and reasonable assurance. Further, while non-CPAs may use the terminology in professional standards of the public accounting profession, they are not subject to the balance of the professional standards including those related to independence, quality management and professional discipline.

The terms “limited assurance” and “reasonable assurance” should be defined in the Proposal and related to the professional standards of authoritative bodies. If non-CPAs are permitted to perform these attestation services, then regulations must be developed to build the intellectual infrastructure outside of the professional standards governing the public accounting profession.

Sections 229.1505 (d) and (e)(6) require information be disclosed by the issuer about the attestation provider, specifically whether the provider is subject to any oversight inspection program. We believe this information should be communicated by the attestation provider as part of their reporting, rather than being reported by the issuer, who may or may not be able to confirm the information (notwithstanding its responsibility to do so in all SEC filings).

Financial Statement Metrics

Materiality

The one percent disclosure threshold seems too low and inconsistent with other SEC guidance on materiality, which could suggest that climate-related disclosure information is more important than other disclosures required by the SEC and FASB. We would recommend that no specific threshold be included, which would subject the disclosure information to general SEC guidance on materiality. If a percentage must be specified, we would recommend five percent to be consistent with other SEC guidance on financial statement materiality.

Global Harmonization

There are existing frameworks and standards for certain climate-related disclosures, such as the Greenhouse Gas (GHG) Protocol, and other projects currently underway by international standards setters regarding sustainability reporting. Specifically, the IFRS Foundation recently created the International Sustainability Standards Board (ISSB) with the purpose to deliver a comprehensive global baseline of sustainability-related disclosure standards.

Consideration should be given to these existing frameworks and standards as well as the status of these ongoing projects as it provides an opportunity for harmonization among standard setters, which is in the public interest.

Timing

As regulators, we are concerned with the fairly accelerated phase-in periods. We believe the accelerated phase-in timeframe will raise the level of implementation risk for filers as well as auditors. If the SEC moves forward with the Proposal, we recommend that the SEC allow ample time to implement the standards correctly, which may involve longer phase-in periods especially if financial statement metrics are required for corresponding historical fiscal years.

As noted previously, if non-CPAs are permitted to perform these attestation services and issue attestation reports, then additional time is needed to build a regulatory infrastructure for them. Time will be needed to train both CPAs and non-CPAs on a new regulatory regime. Effective implementation of new standards is in the public interest.

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Again, we appreciate the opportunity to comment on the Proposal.

Very truly yours,

W. Michael Fritz, CPA
NASBA Chair

Ken L. Bishop
NASBA President and CEO