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Ch. de Blandonnet 8 | CP 401, 1214 Vernier | Geneva, Switzerland | T: +41 22 749 01 11 | central@iso.org | www.iso.org

ISO/TC68/AG4 & ISO/TMBG/CCCC TG4
[redacted]

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Vanessa A. Countryman,
Secretary, US Securities and Exchange Commission,
100 F Street NE, Washington, DC USA 20549-1090

Via email: **rule-comments@sec.gov**

File Number **S7-10-22**

Submission to Securities and Exchange Commission
Response to Proposed Rules to Enhance and Standardize Climate-Related Disclosures for Investors

Dear Ms. Vanessa A. Countryman,

Thank you for the opportunity to comment on the newly proposed SEC Climate Financial Disclosure Rules. We note with great interest on SEC proposals to changes under the Securities Act of 1933 which would require registrants to provide climate-related information in their registration statements, annual reports, and audited financial statements. We agree with Chairman Gensler of the importance in providing investors with "consistent, comparable and decision-useful information for making their investment decisions". In particular, we note the following:

- While it has been acknowledged that the proposed rules to require companies to disclose climate-related risks may have a "material effect" on its business, operations, or financial stability, climate risks are nevertheless increasingly significant. To make intelligent long-term investment decisions, investors need new non-traditional financial information relevant to how climate change affects firms' long-term performance – which is within the remit of the SEC to mandate.
- Companies that are most likely to succeed in the transition to a sustainable future are those whose top management and their Boards are integrating climate change considerations into their strategy which makes climate risk significantly material to long-term investment planning such as pension provision.
- Currently companies do not provide consistent information on how climate risk effects firm strategy. For investors to benefit from these changes, they need
  - Greater transparency and
  - The ability to receive this information in quantitative form that can allow for peer-to-peer comparison to contextualise the disclosure information.
- Requiring companies to reveal direct GHG emissions (Scope 1), indirect emissions (Scope 2), and upstream and downstream activities across their entire value chains (Scope 3) would be in line with other global regulation – most importantly that which is incorporating the disclosure recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). This would be supported by companies and investors globally, as well as other regulators including the FCA, ESMA, MAS in Singapore, New Zealand, and others. The TCFD also forms the foundation of the proposals from the International Sustainability Standards Board of the IFRS Foundation, which if adopted will inform financial reporting in over 140 jurisdictions worldwide.

The most important factor is to require climate risk disclosures to be provided in a global and consistent manner which is industry-led by relevant sector experts. The knowledge shared in ISO standards can strengthen the bridge between global companies and the finance sector. Many stakeholders in the asset management community already use a number of ISO standards in workflows today which have an important role to play in supporting sustainability-related disclosure requirements namely:

- **ISO 17442 – Legal Entity Identifier (LEI).** The LEI provides a unique identifier for legal entities, which can be leveraged for identifying parties for ESG activities and reporting.
- **ISO 20275 – Entity Legal Forms (ELF).** The ELF works alongside ISO 17442 for the identification of entity legal forms in a structured way, enabling entities to be classified according to the nature of their legal constitution. Again, this is helpful in the area of ESG-related reporting to clearly identify sources of risks & opportunities.
- **ISO 6166 – International Securities Identification Number (ISIN).** The ISIN uniquely identifies financial and referential instruments and can be used for the reporting and identification of financial instruments linked to sustainable activities, such as green bonds, emission allowances and carbon credits. The ISIN is used in conjunction with two further standards; ISO 18774 (FISN) which provides financial instrument short name, and ISO 10962 (CFI code) for classification of financial instruments.
- **ISO 4914 – Unique Product Identifier (UPI)** is a new standard that was published in October 2021, for the identification of certain derivative products. This can be relevant with the upcoming move to offer derivative products related to environmental risks and green investing.
- **ISO 20022** – This standard provides a methodology for the creation of financial messages and maintains the ISO 20022 Financial Repository, a publicly available catalogue of messages and central dictionary of business items. ISO 20022 enjoys wide adoption by financial market infrastructures and their communities for the processing of transactions in the areas of payments, securities, credit/debit cards, foreign exchange and trade finance. ISO 20022 is already leveraged in several contexts for the construction and exchange of standardised regulatory reports in the financial industry. ISO 20022 will likely have a role to play in the construction of ESG related reporting messages going forward.

In addition, the following ISO standards relate specifically to environmental performance and green products:

- ISO 14030-1 – Green Debt Instruments – Process for green bonds;
- ISO 14030-2 - Green Debt Instruments – Process for green loans;
- ISO 14030-3 - Green Debt Instruments – Taxonomy;
- ISO 14030–4 – Green Debt Instruments – Verification;
- ISO 14100 – Guidance on environmental criteria for projects, assets, and activities to support the development of green finance. It includes a definition on greenwashing; an issue that is causing grave concern in the investment community.
- ISO 14068 - Greenhouse gas management- Carbon Neutrality currently under development. Expected publication 2023

ISO as an Organization to assist the SEC's endeavour to enhance climate-risk disclosures

ISO is unique as an independent, non-governmental international organization established in 1947 with a membership of 167 national standards bodies (NSB). It's potential for supporting the mainstreaming of enhancing climate-risk disclosure across global economies is arguably unrivalled. ISO and its 167 members along with partner international bodies* (IEC, ITU-T and CEN -CENELEC) can play a key role in supporting the SEC's initiative.

- Through its members, it brings together experts to share knowledge and develop voluntary, consensus-based, market relevant International Standards (over 24000 standards to date). These provide knowledge to the market, facilitating the ability of the market to adopt solutions suitable for the new global challenges we face. ISO standards enable the market to improve operational efficiency, provide greater clarity and transparency for organizations – for both private and public entities, management, and stakeholders, as well as supporting innovation.
- Work is progressed through technical committees in defined fields. About 4500 standards are currently in preparation under these committees where over 700 organizations participate through the liaison mechanism.
- ISO also has close relationship with regional standardization bodies, such as CEN/CENELEC, COPANT, ARSO, etc.). At the organization level, increased co-operation across the technical international standard setters (ISO, IEC and ITU-T) through The World Standards Cooperation (WSC), and *The Standardization Program Coordination Group* (SPCG) has also been enhanced through an imperative issued on 13th January 2021. More recently and with significant relevance to climate action and the mainstreaming of net zero, ISO and other international standards bodies have committed to the 2021 London Declaration and the ISO Council has recently approved a Climate Action Plan to define initiative in support of this declaration.
- ISO has engaged with the Race to Zero campaign to build connections, notably responding to the initial 2021 criteria consultation and subsequently facilitating a Race to Zero presentation from the COP Champions Team. This was attended by ISO experts internationally via both ISO's Climate Change Coordination Committee and through DEVCO - ISO's Committee to support developing countries. For the 2022 Race to Zero Criteria Revision, ISO promoted the process to international standards experts and a number participated in early 2022 within the Race to Zero topic groups.
- In mainstreaming net zero, ISO operates many relevant Technical Committees including TC207 Environmental Management, TC309 Governance of Organizations, TC322 Sustainable Finance. ISO's *Climate Change Co-ordination Committee* (CCCC) supports through its internal and external facing mandates. ISO's Committee on Conformity Assessment (CASCO), is also of specific significance and potential (for example with consideration to the importance of ensuring credible environmental claims).
- Partly in recognition of this potential, ISO has just agreed to a proposal for the development of an ISO International Workshop Agreement (IWA) on Net Zero Guiding Principles (working title). The proposed output has the objective to bring authoritative alignment of "net-zero" to support voluntary initiatives, standards, and national and international policy objectives which will remove or reduce variation in definition and approach, ultimately increasing their impact. Participation at this international workshop is free and the work is expected to commence in July and be completed in September; registration to the event can be done through Our2050World page.

Specific ISO Standards relevant to Climate Risk Disclosures
ISO Technical Committee 207/SC7 is host to internationally recognized experts in greenhouse gas management and its relationship to climate change. ISO TC207
have published standards that specifically address quantification, and reporting (the 14064 set being informative) and on climate change adaptation (14090 series which have relevance in consideration of physical risk).

ISO/TC 207 has been working on several highly relevant standards initiatives, including standards informative to the assessment and management of both physical and transition risk. Only the presence of a robust, credible, and reliable Environmental Management System will enhance the probability of an organization having better environmental performance. Organizations that do not adopt a systems approach are far more likely to not understand the consequences to investors, which include the impacts they have on the environment and conversely the effect the environment is having on the financial performance of the organization. Reporting without making changes to reduce the consequences of climate change allows environmental externalities to continue, burdening taxpayers and governments, undermines trust, and jeopardizes social stability.

These standards that can help organizations improve their value proposition include:

- **ISO 14001** – Environmental Management Systems – Requirements with guidance for use (3rd edition 2015)
- **ISO 14090** – Adaptation to climate change – Principles, requirements and guidelines
- **ISO 14091** – Adaptation to climate change – Guidelines of vulnerability, impacts and risk assessment (2021)

ISO/TC 207 agrees with the SEC that the basis of financial reporting standards is the mechanism to determine GHG emissions. These have the potential to drive mitigation and accelerate climate action to address the urgent issue of climate change and its effect on financial risk. ISO's standards serve as foundational instruments in use around the globe. They are clear, consistent, and comparable. We draw you attention firstly to:

ISO 14064-1:2018
Greenhouse gases-Part 1: Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals.

There are many companies and organizations throughout the world that rely on the methodology in the ISO 14064 series for their GHG emissions measurement and reduction tracking. This global reach is already in place through the ISO organization.

We note that the SEC proposal makes frequent mention of the GHG Protocol. ISO 14064-1:2018 is comparable to the GHG Protocol on organizational reporting and we would like to bring to your attention some critical differences:

DIFFERENCES BETWEEN THE GHG PROTOCOL AND ISO 14064-1
There are several differences between ISO 14064-1:2018 and the GHG Protocol.

ISO 14064-1:2018 recommended reporting formats have been designed to mimic financial reporting and appear like a balance sheet with analogue line-item classification (assets = removals, liabilities = emissions, shareholder equity = storage). In addition, ISO demonstrates how to properly report and disclose carbon financial instruments understanding that they are not necessarily fungible units with the inventory or with themselves (e.g., renewable energy certificate (RECs) measured in kWh and Offsets measured in t CO2e/a) but affect stakeholders' decisions. The GHG Protocol does not align similarly in structure but rather has a list of reporting categories.

ISO 14064-1:2018 is flexible enough to align with financial reporting requirements; whereas the GHG Protocol, particularly for Scope 3, Category 15 on financial investments is quite prescriptive and may not align with the mandatory financial disclosures. We believe that sound disclosure for GHG accounting will need to align as closely to the financial reporting because many of the indicators that shareholders and stakeholders examine rely on both GHG and financial data. Flexibility is needed to account for the wide variety of organizational structures found in financial reporting.

ISO 14064-1:2018 does not distinguish between Scope 2 and Scope 3 but categorizes both as indirect emissions because from an audit and data management perspective, they present the same challenges in reporting and controls. Instead, ISO 14064-1:2018 uses the approach of establishing a reporting boundary that is relevant to the organization. The GHG Protocol mandates the reporting of certain Scope 3 elements (depending on the industry), which may not be applicable to all organizations. We would recommend great flexibility on the initial SEC requirements with strong guidance to support appropriate disclosure rather than being overly prescriptive in the initial stages.

TC 207 recommends that the SEC carefully examine some of these differences between **ISO 14064-1:2018** and the **GHG Protocol** and develop a hybrid approach. The GHG Protocol is not policy neutral and is North American centric. ISO standards must be policy neutral and international in application. The SEC climate change disclosure requirements would benefit from a more holistic approach. **TC207** are very willing to contribute their expertise to the SEC in any way that would be helpful. Their experts can also facilitate consultations or help with training.

TC 207 would also like to bring the SEC's attention to supporting climate-related standards that the SEC may benefit from:

ISO 14064-2:2019
Greenhouse gases- Part 2: Specification with guidance at the project level for quantification, monitoring and reporting of greenhouse gas emission reductions or removal enhancements

ISO 14064-3:2019
Greenhouse gases-Part 3: Specification with guidance for the validation and verification of greenhouse gas assertions

ISO TR 14069:2013
Greenhouse gases – Quantification and reporting of greenhouse gas emissions for organizations – Guidance for the application of ISO 14064-1

ISO 14065:2020
General principles and requirements for bodies validating and verifying environmental information

ISO 14066:2011
Greenhouse gases- Competence requirements for greenhouse gas validation teams and verification teams

ISO 14067:2018
Greenhouse gases —Carbon footprint of products - — Requirements and guidelines for quantification

The GHG Protocol does not address audit and auditor requirements to any great extent. We believe the above ISO standards would be of benefit to the SEC when implementing the climate change-related disclosure requirements.

ISO CCCC works alongside other specialist ISO Technical Committees, which have the specific focus on environmental and sustainable finance standards development mentioned above. This includes the **TC322** committee, the Technical Committee within ISO whose scope is the standardization in the field of sustainable finance to integrate sustainability considerations including environmental, social and governance practices in the financing of economic activities.

TC 322 is notably currently working on several standards initiatives including a framework for **Sustainable Finance: Principles and Guidance**, which is due to be published November 1st 2022 and there is further work under way on a standard for the requirements and guidelines for development and implementation of Sustainable Finance products and services.

ISO TR 32220 "*Basic concepts and key initiatives"*, published in 2021, provides an internationally agreed glossary of terms and definitions to enhance global understanding and coherence. The technical report features a non-exhaustive list of those commonly used in financial markets, intended to guide financial regulators, banks, asset managers, investors, researchers and more.

ISO and Carbon Trading and Digital Technologies
Finally, ISO is in a unique position to support standards development that covers both "ESG Finance" and "Technology". A great example of this is the ongoing work at ISO involving the topics of "Carbon Markets" and "Blockchain". Since late 2021, ISO has engaged key organisations working on this space such as IEEE which last year started to work on P3218 (Blockchain Carbon Trading)[1] and this year with IETA Digital Climate Markets Task Force[2]. IETA is part of the Executive Secretariat of the ICVCM[3], which was formed last year as an independent governing body of the voluntary carbon market and is working to create a threshold standard for high integrity carbon credits with the support of the British Standards Institution (an ISO member). The ICVCM threshold standard, called the "Core Carbon Principles" can provide a benchmark for those creating high quality digital carbon assets. ISO committees such as TC307 (Blockchain and distributed ledger technologies), together with TC68, TC322 and TC207 in cooperation with these organisations/initiatives brings together unique world leading expertise to support the development of a nascent market, driven by international standards that fulfil current and future market needs[4].

Our response today to the SEC consultation is in our capacity as the Climate Change Coordination Committee (CCCC), which reports to the Technical Management Board (TMB) of the International Organization for Standardization (ISO)[5]. This response draws upon ISO's collective knowledge as an expert standard setting body with practitioner-led experience in the development and use of

[1] *https://sagroups.ieee.org/3218/*
[2] *https://www.ieta.org/page-18192/12286504*
[3] *https://icvcm.org/who-we-are-all/#our-governing-board*
[4] *Technical report setting out ISO standards that are supportive to the developing carbon market - https://www.iif.com/Portals/1/Files/TSVCM_Phase_2_%20Report_Technical_appendix.pdf*
[5] *More information on the work of TC 68 can be found at: https://committee.iso.org/home/tc68.*

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standards directly and indirectly relevant in the field of environmental management, climate disclosures, and green or sustainable finance.

ISO CCCC can also engage with and support the SEC on matters related to how existing widely used ISO identification and messaging and reporting standards can be leveraged and/or developed to address the challenges around climate-related financial disclosures as these extend to biodiversity disclosures and beyond. We believe that the adoption of international standards in this field is key. ISO's vast expertise offers a valuable foundation of support that will contribute to the SEC's important work in setting clear, concise, comparable standards for financial reporting of climate data.

We look forward to engaging with you further on this.
Kind regards

Rebecca Bartlett Healey

ISO/TC68/AG4 & ISO/TMBG/CCCC TG4

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Answers to Specific Questions

Q24
SEC seeks comments on disclosures that registrants should make when offset credits or RECs play a role in an overall strategy to reduce net emissions. Offset credits have a role to play in helping a company transition to a low-carbon economy. The role for offset credits is likely to be recognized in a new International Standard on carbon neutrality which is being written by **TC 207** Subcommittee 7 Working Group 15 charged with the development of **ISO 14068**, Carbon neutrality (expected publication in late 2023 or early 2024).

Offset credits. Considerable work is underway to define principles related to the quality of offset credits. A Technical Advisory Board (TAB) of the International Civil Aviation Organization (ICAO) has defined requirements for offset credits to be deemed eligible for offsetting obligations by airplane operators reporting under ICAO's Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Separate from the activity of the ICAO TAB, the Integrity Council for Voluntary Carbon Markets is currently drafting "Core Carbon Principles" for the purpose of setting "new threshold standards for high-quality carbon credits, provide guidance on how to apply the CCPs, and define which carbon-crediting programs and methodology types are CCP-eligible."[6] Both the ICAO Technical Advisory Board and the Integrity Council for Voluntary Carbon Markets are operating on the belief that not all offset credits are created equal, and that the use of carbon offsets should be limited to those of the highest environmental quality. "Quality," in the view of the ICAO TAB, is achieved when the offset credit scores well on the following criteria:

- Permanence
- Additionality
- Sustainable development
- Counted only once towards a compliance obligation

In addition to these criteria, the TAB established cut-off periods for eligible emission units such that no project generating offset credits for CORSIA's pilot phase compliance period would be eligible for use unless it had begun operation no sooner than January 1, 2016. The intent of this requirement is to match the vintage of eligible emissions units as close as possible to the time period of the emissions being offset.[7]

RECs (Renewable Energy Certificates) are not the same thing as verified emission reductions and removal enhancements. While they do represent the generation of renewable energy, there are many methodological reasons that make their use problematic as an offset for scope 2 emissions of imported electricity. We refer SEC to a recently published article in the peer-reviewed journal Nature Climate Change that explains why offsetting scope 2 emissions using "market-based" accounting—promoted by the GHG Protocol Scope 2 Guidance standard—overstates emission reductions of reporters who have signed up for Science-Based Targets to reduce emissions consistent with the Paris Agreement goals of limiting warming to 1.5 °C or 2 °C. According to the article's authors, "corporate REC purchases are unlikely to lead to additional renewable energy production. [In this article] we show that the

[6] *See https://icvcm.org/the-core-carbon-principles/.*
[7] *See https://www.icao.int/environmental-protection/CORSIA/Documents/TAB/Excerpt_TAB_Report_Jan_2020_final.pdf#search=Eligible%20Emissions%20Units*

widespread use of RECs by companies with science-based targets has led to an inflated estimate of the effectiveness of mitigation efforts."8
Recommendation. ISO proposes the addition of words to CFR § 229.1502 (c), last sentence. The revised sentence, with the addition shown in italic type, would read: ***"If applicable, include in this discussion the role that carbon offsets or RECs play in the registrant's climate-related business strategy, and describe how the registrant ensures their environmental quality."***

Q115
ISO agrees that the SEC should require registrants to disclose the methodology, significant inputs, and significant assumptions used to calculate their GHG emissions. We disagree that the SEC should require the sole use of the GHG Protocol's Corporate Accounting and Reporting Standard and related standards and guidance. While many corporates use the GHG Protocol, a significant number use **ISO 14064 Part 1,** Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals. **ISO 14064-1** was last revised in 2018, while the GHG Protocol's Corporate Accounting and Reporting Standard dates to 2004. While approximately 7,600 U.S. reporters quantify Scope 1 emissions using the U.S. EPA's 40 CRF Part 98, and approximately 575 companies in California report Scope 1 emissions according to the California Air Resources Board's Mandatory Reporting Regulation, we do not recommend that these methodologies be authorized for use because they omit from mandatory reporting certain sources (e.g., mobile emissions, refrigerants in Scope 1; and Scope 2 and 3 altogether). Thus, we recommend that the SEC limit registrant's choices to the GHG Protocol, **ISO 14064-1** or The Climate Registry's General Reporting Protocol (and associated documents). We further recommend that registrants who report scope 2 emissions quantified in accordance with the GHG Protocol Scope 2 Guidance be required to report "location-based" emissions and that any reporting using the "market-based" method be explained and justified.

Q124
ISO does not support requiring registrants to disclose the methodologies they used for calculating GHG emissions, including emissions factors and their sources. Nor do we support requiring a registrant to use emission factors associated with EPA or a particular reporting standard or framework. We provide two reasons:

1. Reporting at this level of detail would be quite burdensome for the reporter and of limited value to the investor. Already some companies must disclose GHG emissions in multiple formats to multiple voluntary and regulatory platforms, and some of these specify emission factors.
2. Emissions factors often are geographically specific. There are, for example, Canadian emission factors for CO_2, CH_4, N_2O from combustion of transportation fuels that vary slightly from U.S. emissions factors.

It is better to leave the registrant the flexibility to choose appropriate emissions factors based on a hierarchy of specificity, from the actual emissions source to subnational, national and international (IPCC) emissions factors. It should be left to the attestation provider to point out in its opinion the degree to which (if any) the registrant has not been consistent or adhered to best practice in choosing emission factors. The same could be said for Global Warming Potentials (GWPs). GWPs from the IPCC's sixth assessment report (AR6) are now available, but for many legitimate reasons reporters are still using emission factors from AR5 and AR4.

[8] Anders Bjørn, Shannon M. Lloyd, Matthew Brander and H. Damon Matthews, "Renewable energy certificates threaten the integrity of corporate science-based targets," Nature Climate Science, 2022/06/09, ISSN 1758-6798, https://doi.org/10.1038/s41558-022-01379-5

Q132
ISO does not support requiring a registrant to follow a certain set of published standards for calculating Scope 3 emissions. We recommend instead that the SEC suggest that registrants use appropriate standards and methodologies. A number of these exist. The PCAF Global GHG Accounting & Reporting Standard for the Financial Industry may be cited, along with **ISO 14064-1** Specification with guidance at the organization level for quantification and reporting of greenhouse gas statements, **ISO 14067** Carbon footprint of products—Requirements and guidelines for quantification. In addition, there are both public and commercial databases used by life cycle assessment practitioners that may help fill in data gaps when more source-specific information is not available.

Q133
ISO recommends that the SEC provide a safe harbour for Scope 3 emissions disclosure, as proposed.

Q135
ISO supports the SEC's requiring accelerated registrants and large accelerated registrants to obtain an attestation report covering their Scope 1 and Scope 2 emissions disclosures. Even organizations with mature reporting programs can misstate emissions when reporting and that some of these at the individual level, and sometimes at the aggregated or consolidated level, exceed thresholds of materiality. For the same reason, we also support attestation of GHG intensity metrics.

The question of attestation for Scope 3 emissions is more complicated. Organizations reporting Scope 3 emissions may not have access to data trails that support attestation with sufficient and appropriate evidence. In these circumstances, the latest version of **ISO 14064-3,** Greenhouse gases—Part 3: Specification with guidance for the verification and validation of greenhouse gas statements (2019) offers the use of Agreed-Upon Procedures (AUP) rather than attestation. The **ISO 14064-3** provisions for AUP are similar in nature to those found in ISRS 4400, Engagements to perform Agreed-Upon Procedures regarding financial information. AUP are appropriately used when the party responsible for the statement of greenhouse gas emissions is not a client of the attestation provider. That said, situations exist where data trails and information are available and where attestation at the limited level of assurance may be possible. Unfortunately, these must be determined on a case-by-case basis. We suggest that the SEC not require attestation for Scope 3 emissions but encourage registrants to obtain attestation where possible and to include reports of factual findings based on AUP where appropriate. We do not support a requirement that Scope 3 emissions be verified to a reasonable level of assurance.

Q136
If the SEC requires accelerated filers and large accelerated filers to obtain an attestation report covering Scope 3 emissions, ISO recommends that the SEC allow an additional year to phase in the requirement. ISO does believe that it is possible to validate the assumptions, limitations, and methods that a registrant uses to quantify its Scope 3 emissions, and an attestation conclusion on this subject matter could read as follows:

"Based on our review of the evidence, nothing comes to our attention which causes us to believe that Company XYZ's methodology for the estimation of Scope 3 emissions does not provide a reasonable basis for their quantification, and that Company XYZ has not applied its methodology and assumptions in a consistent manner."

Q139
The proposed regulation would phase in assurance at the reasonable level of assurance after two years of verification at the limited level of assurance, and then require reasonable level of assurance

engagements afterwards. In our experience it is preferable that a reasonable level-of-assurance engagement precede limited level-of-assurance engagements. This order enables the attestation provider to understand and examine the design and implementation of controls and to detect misstatements far more thoroughly than is possible during a limited level-of-assurance engagement. We do not believe that it is necessary or cost effective for a filer automatically to be subject to reasonable level-of-assurance engagements every year. Instead, ISO recommends that the SEC require an initial reasonable level-of-assurance engagement during the first year of attestation, followed by two years of attestation at the limited level of assurance, provided that the attestation report of the first year included no modifications (also known as qualifications). A filer with an unmodified attestation report should be rewarded by two successive years of limited level of assurance attestations. After that, the attestation provider would again perform a reasonable level of assurance engagement, and the cycle would continue with two years of limited assurance engagements as long as the reasonable level of assurance engagements resulted in unmodified opinions.

Q141
ISO agrees that the terms “reasonable assurance” and “limited assurance” are generally understood in the marketplace and that no definitions of them are required.

Q143
(i) We do not support including GHG emission metrics in a separate schedule to the registrants’ financial statements. We believe that keeping the disclosures together with emissions reporting will provide investors with the necessary context for understanding associated metrics and targets.
(ii) We do not support requiring registrants to include GHG emissions disclosures in their audited financial statements.
(ii d) ISO believes that registrants will find qualified attestation providers available to them at lower cost for comparable quality if attestation providers are not limited to registered public accounting firms. We recognize that some public accounting firms have achieved levels of expertise in GHG accounting and assurance but believe that a large pool of attestation expertise exists outside public accounting firms. Qualified environmental consultants, engineering firms and other specialized GHG verification providers should be permitted to provide assurance as long as they perform their verification work according to International Standards (i.e., **ISO 14064-3** and **ISO 14065**) or in accordance with ISAE 3000 and ISAE 3410. ISO believes that qualified firms other than public accounting firms should be permitted to provide assurance on disclosure of GHG information. The benefit of doing so is making available to registrants a much larger pool of potential service providers. This will enhance competition and likely result in lower costs to registrants. An industry of non-accounting firm GHG assurance providers has existed in the United States since at least 2007 and functions well. For example, the ANSI National Accreditation Board has accredited approximately two dozen verification providers who meet the requirements of ISO 14065. The California Air Resources Board has accredited 28 verification bodies for its mandatory GHG reporting program.

We propose that all non-public accounting firms should operate GHG verification programs in conformity with the requirements of **ISO 14065**. We suggest that either accreditation to **ISO 14065** or a self-declaration of conformity to this standard in accordance with the requirements of **ISO/IEC 17050**, Supplier’s declaration of conformity should be accepted. We further propose that non-public accounting firms should carry at least $1 million in Errors & Omissions insurance. ISO believes that no further oversight is necessary and that the PCAOB may have difficulty standing up a distinct program for oversight of non-public accounting firms.

The ISO standards mentioned above (**ISO 14064-3** and **ISO 14065**), with the addition of **ISO 14066**, Competence requirements for greenhouse gas validation teams and verification teams, provide robust sets of requirements for performing assurance engagements, managing a verification body, and assuring the competence of validators and verifiers. ISO believes these standards address required expertise, independence, and quality control at least as well if not better than ISAE 3000, ISAE 3410, and ISRS 4400.

(ii e) Apart from the benefit of expanding the pool of talent available to registrants, the SEC, if it adopted our recommended approach, would comply with the letter and spirit of the National Technology Transfer Act of 1995 which directs federal agencies to "use technical standards that are developed or adopted by voluntary consensus standards bodies, using such technical standards as a means to carry out policy objectives or activities determined by the agencies and departments."[9] The member body of ISO from the United States is the American National Standard Board. It describes itself as follows:

"The American National Standards Institute (ANSI) is a private, non-profit organization that administers and coordinates the U.S. voluntary standards and conformity assessment system. Founded in 1918, the Institute works in close collaboration with stakeholders from industry and government to identify and develop standards- and conformance-based solutions to national and global priorities."[10]

Q144
ISO supports the position of the SEC in its proposed rule with respect to the qualifications of attestation providers. The focus should be on expertise rather than years of experience. Years of working experience do not necessarily imply a high level of competence. ISO has standards for competence and qualification of assurance providers that focus on assessing knowledge, skills and abilities. ISO does not support a requirement that would limit assurance providers to public accounting firms.

Q145
ISO supports the imposition of performance-based quality requirements for attestation providers auditing the GHG emissions and related information of SEC registrants. Attestation providers should be required to demonstrate that they have policies and procedures in place to carry out the objectives of the proposed rule in an impartial, fair, and expert manner.

Q146
ISO believes that assurance providers should be independent with respect to the registrant and any of its affiliates. We support the language of the rule as proposed by the SEC.

Q152
ISO believes that ISO standards, particularly **ISO 14064-3, ISO 14065, and ISO 14066** form the basis for quality auditing of GHG emissions and information, and that attestation bodies that are not public accounting firms should be required to perform attestation engagements in accordance with their requirements.

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[9] *Public Law 104–113—MAR. 7, 1996, 110 STAT. 775, the National Technology Advancement and Transfer Act of 1995, Sec. 12 (d)(1)*
[10] *https://www.ansi.org/about/introduction*

Ch. de Blandonnet 8 | CP 401, 1214 Vernier | Geneva, Switzerland | T: +41 22 749 01 11 | central@iso.org | www.iso.org

Q153
ISO does not believe that the possibility of Section 11 liability will deter qualified firms and persons from providing attestation services to registrants. Given the nature and extent of auditing at the limited level of assurance, ISO agrees that a provision similar to 17 CFR 230.436(c) should be included in the final rule so that a report on GHG emissions at the limited level of assurance is not considered part of a registration statement prepared or certified by a person whose profession gives authority to a statement made by him or a report prepared or certified by such person within the meaning of Section 7 and 11 of the Act.

Q154
ISO disagrees with the proposal that attestation engagements and reports should be limited to standards that are publicly available at no cost. This provision favors documents developed by WRI/WBCSD and prejudices the use of International Standards developed by consensus with input from experts from around the world. It is noteworthy that the National Technology Transfer Act of 1995 (see note 1, *supra*) does not include such a requirement. In many countries ISO standards are incorporated by reference in regulations issued by national and subnational jurisdictions, including the Canadian federal government and Canadian provinces. **ISO 14065:2013** and **ISO 14066** were adopted as an American National Standards in the United States and more recent documents in the greenhouse gas series of standards should receive this status in the future. Notably, the International Civil Aviation Organization, a United Nations body, requires verification bodies to meet the requirements of ISO 14065 and perform verifications in accordance with **ISO 14064-3.** They also recognize **ISO 14066** as the appropriate standard for assessing the competence of greenhouse gas validation teams and verification teams.

Q155
ISO disagrees that attestation standards used should be publicly available at no cost to investors. ISO 14064-3 is a widely used standard for GHG verification and precluding it from use would not serve the interests of investors. The fees ISO charges for standards are designed to support the standards writing activity of the International Organization for Standardization which specializes in the publication of technical standards in support of international trade. ISO was founded in 1947 after World War II to foster commercial relations among countries. It does not have any other agenda than the publication of high quality, consensus-based standards. To support its mission it charges a fee for its products that is shared with national standards bodies which are its members. The use of ISO standards is fully consistent with the mandate to federal government agencies to favor the adoption of consensus-based standards under the National Technology Transfer Act of 1995 (see note 1, *supra*).

Q156
ISO agrees that the SEC should establish minimum requirements for attestation reports. ISO believes that **ISO 14064-3, Greenhouse gases—Part 3**: Specification with guidance for the verification and validation of greenhouse gas statements, provides a superior process framework for verifying greenhouse gas emissions data and related information. **ISO 14064-3** is widely used in the voluntary carbon markets and was developed as a consensus-based standard. ISO does not agree that all standards used in carrying out the intent of the SEC proposed rule should necessarily be available free of charge. "Free of charge" means that some other activity is subsidizing the cost of development, publication, and maintenance of the document. ISO standards are developed instead by an organization whose sole purpose is to develop and publish international consensus standards to promote international trade and commerce. The fee structure of the International Organization for Standardization supports its mission.

Q158
ISO agrees that referencing proposed items 1504(a), 1504(b), and 1504(e) would constitute suitable criteria under attestation standards. We agree that this is true for AICPA SSAE No. 18, AT-C 105.A16. That standard provides generic guidance on the suitability of criteria. It references the criteria's relevance, objectivity, measurability, and completeness. On the same topic, clause 5.1.5 of ISO 14064-3 states the following:

> The verifier/validator and client shall agree on the criteria taking into account the principles and requirements of the standards or GHG programme to which the responsible party subscribes. The verifier/validator shall assess the suitability of the criteria proposed by the client, considering:
> a) the method for determining engagement scope and boundaries;
> b) the GHGs and sources, sinks and reservoirs (SSRs) to be accounted for;
> c) the quantification methods;
> d) requirements for disclosures.

Criteria shall be relevant, complete, reliable and understandable. [They] shall be available to the intended user. The criteria shall be referenced in the opinion.

ISO believes the requirements on the suitability of criteria in **ISO 14064-3** improve upon the general guidance offered by the AICPA SSAE No. 18 standard.

Q159
ISO believes that the GHG Protocol presents suitable criteria for quantification of GHG emissions at the organizational level. However, the WRI/WBSCD's accounting standard is not alone in doing so. **ISO 14064-1 Greenhouse gases—Part 1**: Specification with guidance at the organizational level for quantification and reporting of greenhouse gas emissions and removals is an equally good—if not superior—source for criteria and has been more recently revised than the GHG Protocol. ISO believes that registrants should be offered a choice between these two quantification and reporting options. In addition, The Climate Registry has published a General Reporting Protocol that is based on the GHG Protocol. It also constitutes "suitable criteria."

Q161
ISO does not agree that the SEC should require registrants to disclose whether the attestation provider has a license from any licensing or accreditation provider or whether the attestation body is a member in good standing of the licensing or accreditation body. We propose that the SEC defer action on this matter until after the proposed regulation has been implemented for a period of time, such as three years, when the SEC could then revisit the question based on experience in the attestation marketplace.

Q162
ISO believes that investors are most interested in information about the attestation provider's history, qualifications, and expertise. Instead of requiring information about oversight bodies, ISO recommends that attestation providers be required to publicly disclose on their websites information that includes:

- Date and location of incorporation
- Description of business activity(ies)
- Qualifications and experience of principals
- Errors and Omissions insurance information
- Corporate status (e.g. good standing)

ISO believes that disclosure of this information is more relevant to investors than information identifying the name of an oversight body to which the attestation provider may be subject.

Q165
ISO supports the SEC's proposed language in 1505(b) relating to the independence of the attestation provider.

Q166
ISO does not support requiring attestation providers to disclose any oversight inspection programs to which they are subject. Requiring such disclosures creates a binary evaluation criterion where an attestation provider either is, or is not, subject to oversight. ISO believes that requiring such a disclosure is contrary to the SEC's implied finding that GHG attestation providers that are not subject to oversight by financial accounting oversight bodies have the necessary experience and expertise to provide attestation services. If this binary criterion is established, investors may assume—wrongly, we believe—that those attestation providers that *are* subject to oversight are necessarily more qualified than those that are not. ISO does not agree that such is the case, and we believe that a level playing field is better achieved by attestation providers disclosing the information that we describe above in our answer to Question 162.

Q189
ISO believes that the SEC regulation should apply to all registrants, domestic and foreign, for the sake of comparability among public companies.