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

25 October 2023

Re: Proposed Rule Change to Amend the NYSE Listed Company Manual to Adopt Listing Standards for Natural Asset Companies (File No. SR-NYSE-2023-09)

Dear Ms. Countryman:

We appreciate the opportunity to provide comments to the Securities and Exchange Commission (SEC or Commission) on the *Proposed Rule Change to Amend the NYSE Listed Company Manual to Adopt Listing Standards for Natural Asset Companies*.

EY is supportive of innovations that could provide investors with enhanced access to and confidence in new investment products, particularly sustainability-related investment opportunities. We commend the New York Stock Exchange (NYSE) for its leadership in identifying innovative ways to increase capital formation that are responsive to investors' desire for sustainable investing alternatives, while making sure investors benefit from information that is subject to the rules and regulations of the SEC and participating stock exchanges.

Our comments below are intended to assist the Commission in its evaluation of the proposed change to NYSE's listing standards.

Maintenance of the reporting framework

The proposed rule change would require a natural asset company (NAC) listed on the NYSE to apply the new Ecological Performance Reporting Framework (the reporting framework) of the Intrinsic Exchange Group (IEG). However, the IEG appears to be significantly involved in both the development of NACs — through its advisory and promotion work — and the maintenance of the reporting framework. Therefore, there may be a risk, in appearance or fact, of a conflict of interest associated with such activities.

While we applaud both the IEG and the NYSE for their leadership in pioneering NACs, we recommend that the SEC consider whether to require any disclosure framework that would be applied to NACs or other listed entities to be transparently maintained by an independently governed body with a reliable source of funding from a diverse group of stakeholders. In this regard, the SEC may consider requiring the reporting framework to be maintained by an independent organization before finalizing the proposed rule change or requiring, in the near term, an orderly transition to an independent body.

In addition, it is unclear how the proposed rule change would affect competition and reporting comparability to similar types of entities traded on other exchanges. The Self-Regulatory Organization's Statement on Burden on Competition indicates that any competing exchange could similarly adopt rules to allow the listing of NACs. However, the IEG has granted an exclusive license to the NYSE to use its reporting framework in the US. Therefore, if a competing exchange adopts similar rules, there could be different reporting requirements for NACs or similar entities based on the listing rules of the respective exchange, which could reduce an investor's ability to compare relevant information.

Separately, the proposed rule also indicates that a change to the reporting framework would have the effect of a change to an Exchange rule pursuant to Section 19(b) of the Securities Exchange Act. While the IEG has stated that the reporting framework is based on the United Nations System of Environmental Economic Accounting – Ecosystem Accounting Framework (SEEA EA), it is not clear how future updates to the SEEA EA would be considered and incorporated (if at all) into the reporting framework.

Applying the reporting framework

The reporting framework could further enhance investor understanding by requiring additional clarity through disclosure, in the Economic Performance Report, of selected differences between the data included in that report and similar information in GAAP financial statements. For example, the reporting framework requires NACs to report a "total economic value" of natural assets, which is defined as:

> "The 'use' and 'non-use' values associated with people's interactions with nature and reflects the different types of economic impacts that ecosystems have on human well-being."

However, investors could confuse terms such as total economic value with financial reporting measures of value (e.g., fair value, which generally reflects the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants).

It is also not clear how the reporting framework is applied in certain circumstances. For example, the reporting framework indicates that disclosures would follow Accounting Standards Codification 820, *Fair Value Measurement*, and SEC Staff Accounting Bulletins 99 and 108, but additional guidance would help preparers and auditors apply those financial reporting concepts to information related to the economic performance of natural assets.

Assurance requirements

We generally believe investors benefit from decision-useful information the most when the information is subject to independent third-party assurance. However, the cost of complying with the proposed rule, including obtaining assurance, could be burdensome, particularly for NACs with developing revenue streams. Additional input from investors may be needed to determine, for example, whether the costs to obtain assurance on both the Economic Performance Report and the Technical Ecological Performance Study justify the benefits, considering that the same underlying data is used to prepare the report and the study.

To further mitigate costs, the NYSE may consider requiring only limited assurance over the Economic Performance Report (or any other information with required assurance), with a transition to reasonable assurance over time. Requiring only limited assurance initially would be consistent with the level of assurance provided under other existing rules and standards. For example, the assurance requirements of recent climate regulations (e.g., the European Union's Corporate Sustainability Reporting Directive, California's Climate Corporate Data Accountability Act) initially require limited assurance, with a transition to reasonable assurance over time.

Finally, we note that an NAC would be required to obtain assurance from a firm registered with the Public Company Accounting Oversight Board (PCAOB). Many PCAOB-registered firms may not initially have the internal expertise needed to perform certain assurance procedures (e.g., procedures over biophysical measures for different types of ecosystems) and may need to rely heavily on external specialists, which would result in additional costs. Therefore, we recommend that the NYSE and the Commission seek additional input from a diverse group of assurance providers before finalizing which information would require assurance, the level of assurance and, where applicable, the transition to reasonable assurance.

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We would be pleased to discuss our comments with the Commission or its staff at your convenience.

Very truly yours,

Ernst + Young LLP