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Aug. 16, 2022

By Rich Daisley.

Recently proposed disclosure requirements by the U.S. Securities and Exchange Commission (SEC) related to greenhouse gas (GHG) emissions and related climate risk mitigation efforts highlight today's reality: no CPA can or should avoid being well versed in topics related to these topics or broader Environmental, Social and

Governance (ESG) concerns. This level of expertise can vary, based on the level of

The proposed rules will also require disclosure in SEC filings of GHG emissions generated at the various phases of the business cycle, along with qualitative discussions of a registrant's risk management policies related to climate change. As proposed, these GHG emission disclosures will require various levels of attestation, based on the registrant's filing status.

In addition to these new requirements, CPAs also need to understand the rapidly changing standard-setting environment related to sustainability reporting. This has consolidated into one standard-setting organization, the International Sustainability Standards Board (ISSB), which operates under the International Financial Reporting Standards Board Foundation.

These proposed SEC disclosure and reporting requirements present a significant opportunity for CPAs to provide value to their clients by assisting them in navigating these new and complex disclosure requirements. CPAs associated with such SEC registrants need to develop expertise in validating the GHG emissions that their clients develop under IFRS-S or other methodologies. They further need expertise in performing the required level of attest procedures to support their reporting. In fact, many large accounting firms have been building this expertise over the past few years and are well-positioned to provide this assistance.

Relevance for non-SEC registrants

Admittedly, many CPAs are not directly affiliated with SEC registrants nor have or wish to develop the expertise required to provide attest services related to GHG emissions. This, however, does not relieve these CPAs from the requirement to acquire at least a general level of understanding related to ESG and climate change matters.

As experts in the field of financial reporting, CPAs provide value-added services in

future, the FASB may propose to make the financial statement disclosures concerning climate-related expenditures a requirement for all entities reporting under US GAAP, not just SEC registrants. Plus, we don't know what the future holds in terms of yet-to-be-identified standard-setting and attest requirements for all entities.

Our industry is largely focused on the need for functional expertise related to ESG and GHG topics through a compliance lens, whereby CPAs assist clients in areas related to required disclosures. However, CPAs should look to assist clients' efforts to navigate the emerging ESG disclosure landscape in ways that can add value to both your clients and your firm. In a not-too-distant future, it is conceivable that ESG- or GHG-related metrics will be required in construction permitting or loan applications. Additionally, as financial advisors, CPAs may assist their clients in navigating through various investment options, including funds that develop an ESG-related portfolio of investments. In this emerging and seemingly ever-changing environment of ESG-related metrics, CPAs will need a functional level of expertise in these matters in order to continue to provide the value-added services that our clients have come to expect from our profession.

Four steps to get ESG-ready

Companies will begin to use their ESG profiles as a differentiator in the marketplace. For many customers, companies focused on GHG emission reduction or even moving to zero-emission operations will become a key factor in their purchasing decisions. Further, these customers may also value other ESG-related metrics, such as those related to diversity, equity, and inclusion (DE&I) in their decision-making processes. CPAs can and will play a valuable role in both measuring and attesting to the various ESG-related assertions that their clients will be making and, as such, will be supporting their clients in advancing their business objectives, which is the hallmark of our profession.

What should CPAs be doing now? First, stay attuned to current events, as the ESG

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