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Dear Accounting Industry Leaders,

Deloitte, Ernst & Young ("EY"), KPMG, and PricewaterhouseCoopers ("PwC") (collectively, "the Big Four") appear to have violated their professional duty of independence by committing to push for climate-related disclosures in financial reporting, contrary to professional standards of materiality, neutrality, and error avoidance. The Big Four also have created potential conflicts of interest that would violate their professional duties of integrity and objectivity through their (1) climate-related commitments, such as requiring climate-related disclosures "independent of a materiality assessment,"[1] and (2) financial incentives to push companies to incorporate more detailed and expensive climate-related disclosures into financial reporting. These actions may render the Big Four's advertising about their claimed independence, integrity, and objectivity deceptive under state unfair and deceptive acts and practices ("UDAP") laws, and may also violate state contractual provisions requiring compliance with applicable law. It also does not go unnoticed that the Big Four stand to financially benefit from pushing climate-related disclosures and reporting through the for-profit services you offer.

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[1] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21 (emphasis added). The guidance indicates that "a few Task Force members preferred keeping [scope 1 and 2] disclosures as subject to materiality." https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 6, n.8.

SEC Commissioner Hester Peirce has warned that applying climate-related disclosure rules to public companies will also saddle the small businesses and farmers supplying those public companies with burdensome requirements,[2] and that the highly speculative nature of climate-related disclosures encourages frivolous and costly litigation.[3] This drives up the cost of running the farms and businesses that produce food, energy, and other products that Americans use every day. Farmers and small businesses are the backbone of our state economies and rural communities. They often operate on tight margins while serving critical marketplace needs and employing important segments of our workforce. The Signatory State Attorneys General won't sit back while farmers and small businesses are unfairly burdened by the imposition of costly climate-related busy work that the Big Four push and, comparatively, can profit from.

Climate-related disclosures differ from typical financial disclosures in three primary ways. First, climate-related disclosures require what Commissioner Peirce has called "high-priced guesses about the present and the future," including projecting future developments in domestic and international law, technology, and market responses.[4] As Commissioner Peirce put it, climate-related disclosures require "stacking speculation on assumptions."[5] Second, climate-related disclosures are typically non-material, requiring companies to produce what SEC Chairman Paul Atkins previously called "mountains of financially immaterial information."[6] Third, climate-related disclosures are designed to force companies to change their business operations. Commissioner Peirce has stated that the required reports are "conduct-altering disclosure[s]," requiring companies to "devote vast new resources to assessing, managing, and disclosing climate risks" to satisfy a "vast and ever-expanding panoply of special interests."[7] Chairman Atkins has noted that climate-related disclosure rules seek to "mandate disclosure of information climate activists have long sought in order to conduct pressure campaigns to achieve their desired political outcomes."[8]

Applicable state and federal standards require independence and prohibit conflicts of interest. State codes of professional conduct require independence in fact and appearance in the performance of audits.[9] SEC rules also require independence, which demands avoiding an appearance that the auditor is compromised by external relationships.[10] The appearance of independence requires firms to avoid circumstances that would cause a reasonable and informed third party to conclude that the auditor's integrity, objectivity, or professional skepticism is

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[2] *See* https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-american-enterprise-institute-120722; *cf.* https://www.globenewswire.com/news-release/2023/11/16/2781887/0/en/U-S-SMEs-struggle-with-sustainability-more-than-global-peers-find-reporting-standards-complex-and-costly.html.

[3] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.

[4] *Id.* at n.38 (citing https://www.sec.gov/comments/s7-10-22/s71022-20131980-302443.pdf at 8).

[5] https://www.sec.gov/newsroom/speeches-statements/peirce-climate-disclosure-20220321.

[6] https://www.sec.gov/comments/s7-10-22/s71022-20132519-303005.pdf at 2. https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-iac-030724 (SEC Commissioner Peirce stating that moving away from materiality can result in a "blizzard of immaterial information").

[7] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.

[8] https://www.sec.gov/comments/s7-10-22/s71022-20132519-303005.pdf at 5.

[9] *See* American Institute of Certified Public Accounts ("AICPA") Code of Professional Conduct § 1.200.001.01 (Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 74. Many states require adherence to the AICPA framework. *See, e.g.*, Alaska Admin. Code tit. 12, § 04.004; 22 Tex. Admin. Code § 501.70. The AICPA is a voluntary, membership-based professional organization that produces guidance and resources for accounting professionals and firms. *See* https://www.aicpa-cima.com/home.

[10] *See* 17 C.F.R. § 210.2-01.

compromised, and that adequate safeguards are either not available or have not been adopted.[11] Commitments that involve departing from core professional standards—materiality, neutrality, or error avoidance—in pursuit of a goal external to an audit create such an appearance. Furthermore, state codes of professional conduct prohibit conflicts of interest, which violate the duties of integrity and objectivity.[12]

The Big Four's departure from professional standards to push for non-material climate-related disclosures in financial reporting creates an appearance that their integrity and objectivity are compromised. The Big Four committed to support a framework of climate-based disclosures "independent of a materiality assessment" as part of the Task Force on Climate-related Financial Disclosures ("TCFD").[13] The Big Four were also founding members of the Net Zero Financial Service Providers Alliance ("NZFSPA"), whose members committed to "[a]lign all relevant services and products to achieve net zero greenhouse gas emissions by 2050 or sooner, scaling and mainstreaming Paris Agreement-alignment into the core of our business."[14] In addition, the Big Four separately "committed to advancing the adoption or use of the International Sustainability Standards Board's ("ISSB") climate-related reporting at a global level,"[15] and to using the ISSB standard as the "climate global baseline."[16] The Big Four do not appear to have adopted effective safeguards to mitigate the potential threats to their independence from these commitments, if such safeguards are even available. Furthermore, departures from materiality may be particularly acute for the Big Four's foreign subsidiaries, implicating Public Company Accounting Oversight Board ("PCAOB") and SEC jurisdiction.

The Big Four's climate-based commitments also may violate the professional duties of integrity and objectivity by creating conflicts of interest. The Big Four's climate commitments require pushing clients to make burdensome climate-related disclosures that are against their clients' interests. These disclosures drive up the overall costs of audit and assurance services by requiring non-material reports that do not align with core accounting standards, creating a multi-billion-dollar cost to the economy[17] that PwC estimates will be larger than the cost of financial audits.[18]

The Big Four may have violated state UDAP laws by making deceptive representations and omissions to customers about the firms' independence when conducting audits. The Big Four do not disclose climate commitments that cause deviations from following professional standards,

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[11] *See* AICPA Code of Professional Conduct § 1.210.010 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 75 ("The code specifies that in some circumstances no safeguards can reduce an independence threat to an acceptable level. ... The member must eliminate or reduce that threat to an acceptable level to conclude that the member is independent.").
[12] *See* AICPA Code of Professional Conduct § 1.100.001.01 (Integrity and Objectivity Rule, Conflicts of Interest), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 52–53.
[13] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21.
[14] https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda; *see also* https://www.top1000funds.com/2021/09/financial-service-providers-commit-to-financing-net-zero/ ("All have committed to aligning all their relevant products and services to achieve net zero by 2050 at the latest, and to set meaningful interim targets for 2025 within 12-months of joining.").
[15] https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/; https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/.
[16] https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/.
[17] *See, e.g.*, https://www.bloomberg.com/news/articles/2022-06-20/an-8-billion-esg-market-pits-eu-lawmakers-against-audit-firms (proposed EU climate-reporting requirements would generate $4 billion to $8 billion per year in audit revenue, with most of the revenue going to the Big Four).
[18] https://www.luxtimes.lu/businessandfinance/big-four-target-more-revenues-from-sustainability/30149087.html.

which would be material to an audit services customer. EY states that it will "execut[e] high-quality audits with independence [and] objectivity."[19] KPMG promises to act "within an environment of objectivity, independence, ethics, and integrity."[20] PwC represents that it is "continuously seeking to improve and take meaningful actions to further enhance [its] culture of quality, transparency, integrity and independence."[21] And Deloitte states that "[t]hroughout its history, Deloitte has been an industry leader in maintaining and strengthening [independence and objectivity]."[22] The Big Four's actions harm larger companies as well as the small businesses and farmers who supply those larger companies who also must engage in burdensome and complex climate-related reporting.[23] Many of those costs ultimately will be passed along to consumers, resulting in consumers paying higher prices for food, energy, and other everyday products.

Finally, the Big Four may have violated state contractual provisions requiring compliance with state law, which could result in penalties and termination of the Big Four's contracts.

I. The Big Four may have violated their duty of independence

A. The Big Four have a duty under state and federal law to be independent in both fact and appearance when performing audits

The Big Four have a duty under state and federal law to be independent in fact and appearance in the performance of audit services.[24] The required appearance of independence under state law is violated when circumstances or relationships would lead a reasonable and informed observer to conclude that an auditor's integrity, objectivity, or professional skepticism is impaired, and that adequate safeguards are unavailable or have not been applied. The SEC's auditor-independence rule requires that auditors remain capable of exercising objective and impartial judgment, and the SEC has enforced this requirement where auditors' non-audit services created an appearance that independence was compromised. Finally, professional accounting standards require auditors to focus on materiality and present information in a manner that is neutral and avoids errors. An auditor's commitment to depart from those standards creates an appearance that the auditor has impaired its independence by committing to advance an objective external to the audit.

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[19] https://www.ey.com/en_us/services/audit.

[20] https://kpmg.com/us/en/capabilities-services/audit-services/financial-statement-audit.html.

[21] https://www.pwc.com/us/en/services/audit-assurance/financial-statement-audit.html.

[22] https://www.deloitte.com/global/en/about/story/purpose-values/independence-and-objectivity.html.

[23] *See* https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-american-enterprise-institute-120722; https://advocacy.sba.gov/wp-content/uploads/2022/06/Comment-Letter-SEC-Climate-Disclosure-Rules-6-17-22.pdf at 1.

[24] For the sake of this memo, the term "audit" may also refer to other assurance or attestation services provided by accounting firms. Depending on the content of the disclosure—*e.g.*, narrative explanations, GHG emissions, financial line items—and the specific jurisdictional requirements, climate-related disclosures may be subject to audit, assurance, or both. *See, e.g.*, https://www.govinfo.gov/content/pkg/FR-2024-03-28/pdf/2024-05137.pdf at 21776 (SEC discussing certain climate-related disclosures in audited financial statements) and 21737 (SEC discussing attestation of GHG emissions disclosures outside of financial statements); *see also* https://www.ifrs.org/news-and-events/news/2024/07/iasb-improve-reporting-climate-related-other-uncertainties-fs/ (IASB guidance calling for more disclosure of "climate-related uncertainties in financial statements"); https://www.jpmorganchase.com/content/dam/jpmorganchase/documents/2024-operational-ghg-emissions-and-electric-power-use.pdf (PwC providing assurance over JPMorgan GHG emissions reporting); https://kpmg.com/kpmg-us/content/dam/kpmg/frv/pdf/2025/handbook-climate-risk-financial-statements.pdf (KPMG guidance on climate-related disclosures in financial statements).

1. State law specifies auditors' duty of independence

Auditing firms "in public practice shall be independent in the performance of professional services" under the American Institute of Certified Public Accountants ("AICPA") code of professional conduct,[25] which is adopted or substantively mirrored in the laws governing accountants in most states.[26] Independence consists of independence of mind and independence in appearance.[27] Independence in appearance "is the avoidance of circumstances that would cause a reasonable and informed third party who has knowledge of all relevant information, including the safeguards applied, to reasonably conclude that the integrity, objectivity, or professional skepticism of a firm or member of the attest engagement team is compromised."[28]

The appearance of independence is violated when "a reasonable and informed third party who is aware of the relevant information [would] conclude that there is a threat to either the member's or firm's independence, or both, that is not at an acceptable level."[29] The code provides a non-exclusive list of threat examples.[30] The list includes "undue influence," which is the "threat that a [professional] will subordinate his or her judgment to that of an individual associated with an attest client or any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the member."[31]

Some states expressly adopt the AICPA independence rule into their statutes and rules, as has been done in Alaska and Texas.[32] Other states adopt a similarly worded rule, such as a Florida law stating that auditors in public practice must "be independent in fact and appearance when providing services," including when "expressing opinions on financial statements."[33] Similarly,

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[25] AICPA Code of Professional Conduct § 0.300.010 (Preamble), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 9; *see* AICPA Code of Professional Conduct § 1.200.001.01 (Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 74; AICPA Code of Professional Conduct § 0.400.43 (Definitions, Professional Services), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 29 ("Professional Services" includes "all services requiring accountancy or related skills that are performed by a member for a client, an employer, or on a volunteer basis," and includes "accounting, audit and other attest services"); AICPA Code of Professional Conduct § 0.300.050.01 (Principles, Objectivity and Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 10 ("A member in public practice should be independent in fact and appearance when providing auditing and other attestation services.").

[26] *See, e.g.*, Alaska Admin. Code tit. 12, § 04.004; 22 Tex. Admin. Code § 501.70; Fla. Admin. Code Ann. r. 61H1-21.001; 288 Neb. Admin. Code Ch. 5, § 002.

[27] AICPA Code of Professional Conduct § 0.400.23 (Definitions, Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 22.

[28] *Id.*

[29] AICPA Code of Professional Conduct § 1.210.010 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 74–75.

[30] *See id.* at 74–78.

[31] *Id.* at 78.

[32] Alaska fully incorporates the AICPA professional code of conduct, including the independence standard. *See* Alaska Admin. Code tit. 12, § 04.004. Texas, while not fully incorporating the AICPA code, expressly relies on AICPA's independence standards. *See* 22 Tex. Admin. Code § 501.70.

[33] Fla. Admin. Code Ann. r. 61H1-21.001. Florida's administrative code further provides that "[i]ndependence permits a CPA to perform an attest service without being affected by influences that compromise professional judgment or materially impair the CPA's ability to act with integrity and exercise objectivity and professional skepticism," and that "[t]he CPA shall determine whether those influences, when present, create such a threat that would cause the CPA not to act with integrity and exercise objectivity and professional skepticism." Fla. Admin.

Nebraska requires that an auditor who "will issue a report on financial statements of any client (other than a compilation report in which a lack of independence is disclosed) must be independent with respect to the client in fact and appearance."[34] States, through boards of accountancy, have authority to enforce these types of statutes.[35] Auditors are subject to a state's rules of professional conduct regardless of whether they are practicing under a license issued by that state or through the state's out-of-state practice privileges.[36]

2. The SEC has a similar independence rule and has brought enforcement actions based on lack of independence

The SEC similarly requires auditors to maintain independence.[37] The SEC has brought enforcement actions when the auditor has a relationship that creates an appearance that an auditor's independence is compromised. For example, the SEC found violations of its independence rule when:

- Deloitte "maintained a business relationship with a trustee serving on the boards and audit committees of three funds it audited";[38]
- PwC "perform[ed] prohibited non-audit services during an audit engagement, including exercising decision-making authority in the design and implementation of software relating to an audit client's financial reporting, and engaging in management functions";[39] and
- KPMG "provid[ed] prohibited non-audit services such as bookkeeping and expert services to affiliates of companies whose books they were auditing."[40]

Similarly, the SEC reportedly sent letters to the Big Four in 2022 "asking whether consulting and other nonaudit services they sell undermine their ability to conduct independent reviews of public companies' financials."[41]

Code Ann. r. 61H1-21.001. The term "CPA" in these sections of law appears to include accounting firms in addition to individual CPAs. *See, e.g.* Fla. Stat. Ann. § 473.315(3) ("The board shall adopt rules establishing the standards of practice of public accounting, including, but not limited to, independence, competence, and technical standards."); Fla. Stat. Ann. § 473.304(1) ("The board shall adopt rules … to implement the provisions of this act. Every certified public accountant *and firm* shall be governed and controlled by this act and the rules adopted by the board." (emphasis added)); Fla. Stat. Ann. § 473.315(1) ("A certified public accountant shall not express an opinion on the financial statements of an enterprise unless she or he *and her or his firm* are independent with respect to such enterprise." (emphasis added)); Fla. Stat. Ann. § 473.323(3) (extending disciplinary action to CPAs and firms).

[34] 288 Neb. Admin. Code Ch. 5, § 002.

[35] *See, e.g.*, Alaska Stat. Ann. § 08.04.450(a)(4); Fla. Stat. Ann. § 473.323; Neb. Rev. Stat. Ann. § 1-140; Tex. Occ. Code Ann. § 901.502; *see also* https://nasba.org/stateboards/.

[36] *See, e.g.*, Alaska Stat. Ann. § 08.04.422(1) (requiring consent to disciplinary jurisdiction); Fla. Stat. Ann. § 473.3141(3) (same); Neb. Rev. Stat. Ann. § 1-125.01(2)(a) (making jurisdiction a condition to practicing in the state); Tex. Occ. Code Ann. § 901.461(c) (same).

[37] Under SEC regulations, the SEC "will not recognize an accountant as independent, with respect to an audit client, if the accountant is not, or a reasonable investor with knowledge of all relevant facts and circumstances would conclude that the accountant is not, capable of exercising objective and impartial judgment on all issues encompassed within the accountant's engagement." 17 C.F.R. § 210.2-01. When making independence determinations, the SEC "will consider all relevant facts and circumstances." 17 C.F.R. § 210.2-01.

[38] https://www.sec.gov/newsroom/press-releases/2015-137.

[39] https://www.sec.gov/newsroom/press-releases/2019-184.

[40] https://www.sec.gov/newsroom/press-releases/2014-12.

[41] https://www.wsj.com/finance/regulation/big-four-accounting-firms-come-under-regulators-scrutiny-11647364574?mod=politics_lead_pos1.

3. Professional accounting standards in the United States include core standards of materiality, neutrality, and error avoidance

Commitments that involve departing from professional accounting standards like materiality conflict with the duty of independence by creating the appearance that the auditor is acting based on those commitments rather than professional standards.

Materiality is the core of the auditor's objectives as described by the PCAOB. The PCAOB's standard sets forth the auditor's "objectives" as "(1) obtain[ing] reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud; and (2) issu[ing] an auditor's report that expresses an opinion about whether the financial statements, taken as a whole, are presented fairly, in all material respects, in conformity with the applicable financial reporting framework,"[42] *i.e.*, the Generally Accepted Accounting Principles ("GAAP") in the United States.

GAAP includes the core principle of materiality and further provides principles of neutrality and error avoidance.[43] The Financial Accounting Standards Board ("FASB"), which issues GAAP, states that its definition of materiality is "in substance identical to the definition in the auditing standards of the AICPA and the PCAOB."[44] In addition, the standards of neutrality and error avoidance are derived from the "fundamental qualitative characteristics" of "relevance and faithful representation."[45] FASB describes a perfectly faithful representation as being "complete, neutral, and free from error."[46] It further describes a neutral depiction as being "without bias in the selection or presentation of financial information" and "not slanted, weighted, emphasized, deemphasized, or otherwise manipulated to increase the probability that financial information will be received favorably or unfavorably by users."[47]

B. The Big Four's commitments to climate-activist organizations conflict with professional accounting standards by creating an appearance of compromised independence

The Big Four's commitments to the TCFD, ISSB, and NZFSPA—and resulting relationships with climate-activist organizations—create an appearance of compromised independence due to conflicts between these commitments and the professional accounting standards of materiality, neutrality, and error avoidance. In fact, SEC Chairman Atkins has noted there is a "real problem" with accounting firms "completely subvert[ing] the importance of financial materiality and financial accounting," as evidenced by firms' support for the SEC's burdensome climate-related disclosure rules.[48] Under the AICPA code, the threat to independence

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[42] Public Company Accounting Oversight Board (PCAOB) Auditing Standards, AS 1000, https://pcaobus.org/oversight/standards/auditing-standards/details/as-1000--general-responsibilities-of-the-auditor-in-conducting-an-audit.

[43] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 2–3.

[44] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 13. Notably, the PCAOB auditing standards incorporate the Supreme Court's definition of materiality, providing that a "fact is material if there is a substantial likelihood that [the] ... fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available." *TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976); https://pcaobus.org/oversight/standards/auditing-standards/details/AS2105.

[45] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 2.

[46] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 3.

[47] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 3.

[48] https://tax.thomsonreuters.com/news/sec-chair-criticizes-accounting-firms-for-pushing-rules-driven-by-self-interest/.

from these commitments may be present, based either on the general framework for threats or the specific threat of "undue influence."

1. Potential threat to independence under the general framework in AICPA

Commitments by auditors to third parties that conflict with the core professional accounting standards of materiality, neutrality, and error avoidance may create a threat to the auditor's independence. A reasonable observer aware of these commitments may conclude that the auditor has compromised its independence and intends to further a non-accounting objective set by that third party.[49] These commitments conflict with a reasonable observer's expectation that an auditor acting independently would not pre-commit on contested questions involving climate-related disclosures that may come up in an audit.

a. *Materiality*

The Big Four made a commitment to push for the adoption of a framework that *expressly* rejects any consideration of materiality for Scope 1 and Scope 2 emissions disclosures. As a part of the TCFD, which recommended a framework for disclosures, the Big Four committed[50] to supporting disclosure of Scope 1 and Scope 2 emissions "***independent of a materiality assessment***"[51] and "encourage[d] all organizations to disclose Scope 3 GHG emissions."[52] As explained above, materiality is fundamental to the core objectives for audits under PCAOB rules. Committing to include information irrespective of materiality shows a fundamental departure from professional standards, which is indicative of compromised independence. Departing from materiality also creates radically different disclosure requirements—as Chairman Atkins has observed, "It is difficult to imagine how Scopes 1, 2, or 3 emissions in and of themselves could be financially material with respect to the vast majority of companies."[53]

When the TCFD framework was incorporated into the ISSB framework, the Big Four reaffirmed their commitment to requiring disclosures for the purpose of climate goals regardless of financial materiality. After the TCFD disbanded, the ISSB issued its standards (IFRS S1 and IFRS S2) and committed to take "over the monitoring of the progress on companies' climate-related disclosures from the TCFD."[54] The Big Four then signed a declaration of support "committ[ing] to advancing the adoption or use of the [ISSB]'s climate-related reporting at a global level."[55] Showing the climate-activist purpose behind this declaration, it was "announced during Finance Day at COP28, demonstrat[ing] the strong support to advance action-oriented

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[49] *See* AICPA Code of Professional Conduct § 0.400.23 (Definitions, Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 22.
[50] https://web.archive.org/web/20200921190029/https://www.fsb-tcfd.org/tcfd-supporters/.
[51] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21 (emphasis added).
[52] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21 & n.32.
[53] https://www.sec.gov/comments/s7-10-22/s71022-20132519-303005.pdf at 2.
[54] https://www.ifrs.org/sustainability/tcfd/.
[55] https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/; https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/; *see generally* https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf.

responses to the risk of climate change."[56] The IFRS Foundation stated this declaration was "in response to calls for climate action at COP28."[57] COP28 branded itself as "where the world comes together to agree on ways to address the climate crisis, such as limiting global temperature rise to 1.5 degrees Celsius … and achieving net-zero emissions by 2050."[58]

The ISSB standard does not comport with U.S. standards for materiality, because it is far more subjective and speculative. First, materiality under ISSB requires disclosing information based on a much more subjective assessment of financial impact on the relevant company. To trigger disclosure, ISSB merely requires a "reasonabl[e] … expectat[ion]" that the information could "influence decisions that primary users of general purpose financial reports make on the basis of those reports."[59] "Primary users" include "[e]xisting and potential investors, lenders, and other creditors."[60] In contrast, the PCAOB materiality principle is based on a "substantial likelihood" that the disclosure affects the "total mix of information" for a reasonable investor—an objective standard.[61] In other words, there is both a different threshold (reasonable expectation vs. substantial likelihood) and different target group ("existing and potential investors, lenders, and other creditors" vs. reasonable investors) under ISSB standards compared to PCAOB standards, and these differences dilute the fundamental requirement of financial materiality. And while paying lip service to materiality, the ISSB Vice Chair recognized the radical impact of the ISSB's new standards by stating that "[o]ne of the very important pieces of feedback the ISSB received consistently in the 1,400 comment letters to our proposals last year was that … this is such a big change in reporting for many companies."[62] One critical change noted in an example ISSB disclosure from PwC is that information may be "material in the context of sustainability reporting, ***even if such information would not be material to the financial statements***, mainly due to risks and opportunities arising in the value chain and the future-looking nature of sustainability disclosures."[63]

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[56] https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/. COP28 was a 2023 United Nations climate change conference. *See* https://unfccc.int/process-and-meetings/conferences/un-climate-change-conference-united-arab-emirates-nov/dec-2023/about-cop-28.

[57] https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/.

[58] https://unfccc.int/process-and-meetings/conferences/un-climate-change-conference-united-arab-emirates-nov/dec-2023/about-cop-28.

[59] IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 8 ¶ 18.

[60] https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 23.

[61] *Compare* IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 8 ¶ 18 ("In the context of sustainability-related financial disclosures, information is material if omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity."), *with TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976) (a "fact is material if there is a substantial likelihood that [the] ... fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available"); *see also* https://pcaobus.org/oversight/standards/auditing-standards/details/AS2105 (incorporating the *Northway* standard).

[62] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/ifrs-s1/s1-deep-dive-webinar-presentation-transcript.pdf at 8.

[63] https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external-users/assets/VALUE_Plc_Example_sustainability_disclosures_under_IFRS_Sustainabilit_Disclosure_Standards.pdf at 21.

Second, the ISSB standards require speculation on climate-related issues over an indefinite period of time, by requiring an entity to disclose climate-related information "that could reasonably be expected to affect the entity's cash flows, its access to finance[,] or cost of capital *over the short, medium or long term*."[64] The ISSB standards do not define any of those terms, and suggest that the horizons may be based on user expectations.[65] This has led to some of the Big Four to require decades-long or indefinite time horizons. For example, model ISSB disclosures from KPMG set long-term horizons as after the year 2040.[66] A model PwC disclosure lists scenarios with a projected temperature rise by *2100*, over seventy years away.[67]

Long-term climate projections are inherently speculative, as evidenced by the recent retraction of a prominent scientific paper that had projected massive economic harm from climate change.[68] Once observers uncovered data errors in that paper, the paper's results became "statistically insignificant."[69] Yet PwC continues to cite that paper in an online publication called "Value in Motion: Methodology," even though the firm is aware of the paper's retraction.[70] Rather than removing the study and recalculating its figures, PwC merely appended a note stating that the paper's authors were "preparing revisions of their paper following its retraction" and that PwC "will monitor their progress as we weigh whether to revise the figures."[71] Deloitte encourages reliance on the retracted paper indirectly by citing to the climate scenarios published by the Network for Greening the Financial System as providing "valuable external benchmarks,"[72] even though that organization based its long-term scenarios on the same paper.[73] The Intergovernmental Panel on Climate Change also recently updated its scenarios to eliminate extreme climate scenarios, based on climate scientists recently admitting that those scenarios were "implausible."[74] An example ISSB disclosure document from PwC relied on the most extreme discarded scenario (RCP 8.5), further demonstrating the speculative nature of climate-related disclosures.[75]

The highly-subjective ISSB definitions present even more severe threats to professional accounting standards than the SEC's 2024 climate-related disclosure rule, which was similarly

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[64] IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 6 (emphasis added).

[65] *See, e.g.*, IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 11 (referring to "the time horizons over which users of general purpose financial reports conduct their assessments of entities in that industry").

[66] https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2025/isg-2025-issb-ifs.pdf at 29, 38–44.

[67] https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external-users/assets/VALUE_Plc_Example_sustainability_disclosures_under_IFRS_Sustainabilit_Disclosure_Standards.pdf at 28.

[68] https://www.nature.com/articles/s41586-024-07219-0.

[69] *See* https://www.nature.com/articles/s41586-025-09206-5; *see also* https://www.nature.com/articles/s41586-025-09320-4 (detailing further errors).

[70] https://www.pwc.com/gx/en/issues/value-in-motion/value-in-motion-methodology.pdf at 10–11.

[71] *Id.*

[72] https://www.deloitte.com/au/en/issues/climate/actuaries-playing-role-climate-reporting-modelling.html.

[73] https://www.ngfs.net/system/files/2025-11/2025%20Explanatory%20notes%20on%20NGFS%20long-term%20scenarios%20Cover%20Note.pdf at 2.

[74] https://www.aei.org/articles/rcp8-5-is-officially-dead/.

[75] https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external-users/assets/VALUE_Plc_Example_sustainability_disclosures_under_IFRS_Sustainabilit_Disclosure_Standards.pdf at 28.

based on the TCFD framework.[76] As SEC Commissioner Peirce recognized, the 2024 rule "reject[ed] the existing principles-based, materiality focused approach to climate risk" and "embrace[d] materiality in name only," which "could trigger a hodgepodge of requirements tailored to meet the demands of a vast and ever-expanding panoply of special interests."[77] She also stated that "[t]he SEC's justification for the disclosure is that governments, regulators, or consumers *might* take action against GHG emissions that *might* cause a negative financial effect at the company that *might* be significant to a reasonable investor."[78] The SEC now is moving towards formally rescinding the rule and has stated that "Under Chairman Atkins, the Commission is focused on returning the agency to its core mandate – in line with its legal authority – restoring a materiality-focused approach to securities regulation."[79] In contrast to this materiality-focused approach, the ISSB standards replace the objective reasonable-investor standard with subjective references to "primary users" including "potential investors, lenders, and other creditors."[80]

The IFRS Foundation has issued a Sustainability Bulletin that further weakens the already watered-down materiality standard in the ISSB framework.[81] The Bulletin explains that the "could reasonably be expected"[82] materiality standard means that "when identifying such sustainability-related risks and opportunities, the entity considers an external perspective."[83] The Bulletin goes on to state that an "entity might judge that a sustainability-related risk or opportunity could reasonably be expected to affect its prospects (based on the expectations of an external party), **even though the entity itself might not have that expectation**."[84] This nebulous "external party" is part of ISSB's definition of "primary users" to include "existing and potential" investors, lenders, and creditors.[85] The Bulletin claims that disclosures must be made if *any* of those groups need the information.[86]

These instructions effectively allow an auditor to override management's judgment by conjuring up a hypothetical external party that might want a financial relationship with a company and might have a different expectation regarding a disclosure, even on an issue where management has determined no disclosure is necessary. In contrast, the standard principle, as articulated by PCAOB, is for auditors to determine if "the evidential matter is sufficient to support management's analysis."[87] If "sufficient evidential matter supports management's

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[76] *See* https://www.federalregister.gov/documents/2024/03/28/2024-05137/the-enhancement-and-standardization-of-climate-related-disclosures-for-investors at 21673; https://www.federalregister.gov/documents/2024/04/12/2024-07648/the-enhancement-and-standardization-of-climate-related-disclosures-for-investors-delay-of-effective.
[77] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.
[78] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624 (emphases added).
[79] https://www.esgtoday.com/sec-moves-to-repeal-climate-reporting-rules/.
[80] https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 23.
[81] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf.
[82] *Id.* at 27.
[83] *Id.*
[84] *Id.* (emphasis altered).
[85] https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 23.
[86] https://www.ifrs.org/content/dam/ifrs/supporting-implementation/issb-standards/issb-materiality-education-material.pdf at 14.
[87] https://pcaobus.org/oversight/standards/auditing-standards/details/AS3105 at 13.

assertions," then an "unqualified opinion ordinarily is appropriate."[88] The PCAOB's direction to start from management's judgment and determine if evidence supports that judgment differs sharply from the Bulletin's focus on external stakeholders' expectations. An open-ended consideration of a range of external parties' disclosure expectations allows auditors to replace management's judgment with their own.[89]

EY has announced that it will rely on the Bulletin.[90] Other Big Four foreign subsidiaries echo the Bulletin's guidance by demanding a focus on "stakeholder" expectations.[91] An example KPMG sustainability disclosure suggests that the "materiality assessment process" starts with "engaging with key internal and external stakeholders" and that materiality depends on whether information "could influence users' ... financing decisions."[92] PwC provides an example sustainability disclosure in which the company had to "consider the perspective of external stakeholders (including lenders and analysts)" in order to make disclosures "even if such information would not be material to the financial statement."[93] Such dramatic departures from materiality could be examined by PCAOB/SEC pursuant to its authority to audit foreign subsidiaries of the Big Four,[94] particularly in jurisdictions that have adopted or plan to adopt ISSB or similar standards, such as India, Australia, the UK, Singapore, Mexico, Brazil, and Canada.[95]

b. *Neutrality*

The Big Four also committed to departing from neutrality when they made commitments to the Net Zero Financial Service Providers Alliance, a group of financial service providers organized to force climate-related changes on companies.[96] The role of auditors in this scheme

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[88] *Id*.

[89] *See, e.g.*, https://pcaobus.org/oversight/standards/auditing-standards/details/as-1000--general-responsibilities-of-the-auditor-in-conducting-an-audit at .13 ("the financial statements, including their preparation, are management's responsibility and the auditor's responsibility is to express an opinion on the financial statements"); https://ifacweb.blob.core.windows.net/publicfiles/2025-10/2025 IESBA HB Volume 1_0.pdf (R400.20) (an auditor "shall not assume a management responsibility for an audit client").

[90] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/technical/ifrs-technical-resources/documents/ey-gl-ifrs-sustainability-materiality-11-2024.pdf (considering the Bulletin "alongside other sustainability-related standards such as the European Sustainability Reporting Standards (ESRS) or Global Reporting Initiative (GRI) Standards").

[91] *See, e.g.*, https://www.deloitte.com/content/dam/assets-zone1/apac/en/docs/collections/2025/report5-the-cfos-guide-to-sustainability-data.pdf at 2 (Deloitte Asia-Pacific Limited guidance noting "stakeholder expectations" and stating that sustainability reporting "relies more heavily on forward-looking ... assessments"); https://www.pwc.com.au/assurance/cfo-advisory/value-accounts-sustainability-report.pdf at 38–40 (PwC Australia guidance providing example sustainability disclosures, including disclosures for a net-zero scenario); https://kpmg.com/ae/en/insights/esg/the-integral-role-of-cfos-in-driving-the-sustainability-agenda.html (KPMG Lower Gulf guidance claiming that "Stakeholders, including investors, regulators, customers, and employees, are increasingly scrutinizing companies' sustainability efforts," and that by creating "comprehensive" sustainability reports, CFOs "demonstrate the company's commitment to environmental conservation, social accountability, and ethical governance, which can enhance trust and credibility among stakeholders").

[92] https://assets.kpmg.com/content/dam/kpmgsites/xx/pdf/ifrg/2025/isg-2025-issb-ifs.pdf at 28.

[93] https://viewpoint.pwc.com/dt/gx/en/pwc/esg/external-users/assets/VALUE_Plc_Example_sustainability_disclosures_under_IFRS_Sustainabilit_Disclosure_Standards.pdf at 19, 21.

[94] *See, e.g.*, 15 U.S.C. § 7216; https://pcaobus.org/oversight/inspections/firm-inspection-reports.

[95] *See* https://www.spglobal.com/sustainable1/en/insights/research-reports/issb-january-2026.

[96] *See* https://www.esgtoday.com/net-zero-financial-service-providers-alliance-disbands/. The NZFSPA was a "coalition of stock exchanges, research & data providers, index providers and auditors designed to help the financial sector to advance net zero commitments." https://sustainabilityonline.net/news/net-zero-financial-service-providers-alliance-concludes-work-as-a-standalone-initiative/. The Big Four were each founding members of NZFSPA. https://web.archive.org/web/20210922201627/https://www.netzeroserviceproviders.com/category/press/.

conflicts with neutrality—it demonstrates an express "bias in the selection or presentation of financial information" by tying the presentation of financial information to a climate-related goal, which ensures that company reports are "slanted, weighted, emphasized, deemphasized, or otherwise manipulated" in order to gain auditor approval.[97] The NZFSPA identified itself as "a global group of service providers committed to supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner, in line with the ambition to limit the global temperature increase to 1.5°C above pre-industrial levels."[98] The NZFSPA commitments included "[a]lign[ing] all relevant services and products to achieve net zero greenhouse gas emissions by 2050 or sooner, scaling and mainstreaming Paris Agreement-alignment into the core of our business."[99] Even with NZFSPA's boilerplate disclaimers about professional standards,[100] the commitments and the stated purpose of NZFSPA—"supporting the goal of global net zero greenhouse gas emissions by 2050 or sooner"[101]—create an appearance that the Big Four committed to depart from a stance of neutrality when climate-related matters are involved.

The Big Four's further commitment to "proactively engag[e] with stakeholders and policymakers on corporate and industry action, as well as public policies, that support a net zero transition of economic sectors in line with science and with regard to social impacts"[102] is itself a clear departure from neutrality. PwC described the NZFSPA as "a global consortium of firms that are furthering their commitments to a science-based approach to addressing climate change and establishing a net zero global economy."[103] The term "science-based" is commonly understood as supporting the unrealistic net-zero-by-2050 goal and its interim requirements.[104] EY published a report in 2024 which states that pursuant to this commitment to NZFSPA, it had "ongoing engagement with a range of stakeholders and policymakers," and that it "regularly h[eld] meetings to advise on and encourage forward movement" on the ISSB framework.[105] The members' commitments to NZFSPA appear to continue, as NZFSPA reported that its participants would "focus on individually implementing firm-level objectives" in January 2026 as the group was absorbed into the United Nations' Principles for Responsible Investment ("UN PRI") "[f]ollowing the publication of target-setting frameworks across its functional groups."[106] The Big

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97 *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 3.
98 https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda.
99 *Id.*; *see also* https://www.top1000funds.com/2021/09/financial-service-providers-commit-to-financing-net-zero/ ("All have committed to aligning all their relevant products and services to achieve net zero by 2050 at the latest, and to set meaningful interim targets for 2025 within 12-months of joining.").
100 https://web.archive.org/web/20211001160255/https://www.netzeroserviceproviders.com/our-commitment/ (noting that commitments were made "subject to any legal, regulatory, professional standards and professional or ethical obligations that apply to them" and that auditors' commitments to align to net zero include "[p]lan[ning] and perform[ing] audits in accordance with professional standards and related guidance issued by standard setters, including as they relate to climate-related matters, and commit to discharging obligations under professional standards as external auditors with quality, integrity, and independence").
101 https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda.
102 *See* https://public.unpri.org/download?ac=21366 at 5.
103 https://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/climate-risks-audit.html.
104 *See, e.g.*, https://sciencebasedtargets.org/; https://sciencebasedtargets.org/how-to-set-science-based-targets. The Science Based Targets initiative recently adjusted its rules to allow for more short-term flexibility and less net-zero alignment, in an apparent concession to the disconnect between its suggested targets and reality. *See* https://trellis.net/article/science-based-targets-initiative-update-2030-targets/.
105 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-gl/campaigns/value-realized/documents/ey-gl-value-realized-report-latest-10-2024.pdf at 74.
106 https://public.unpri.org/news-and-events/nzfspa-reorganises-and-concludes-as-standalone-initiative/13583.article.

Four's continuing commitments appear to be part of what Deloitte calls an effort to "play[] a leading role in helping drive th[e] transition" to a net-zero economy.[107]

Similarly, the Big Four's commitments to TCFD and ISSB, discussed above, also show a lack of neutrality. The Big Four committed to disclosures that were created for their ability to force substantive changes in company behavior. In fact, KPMG's Global Chairman and CEO said:

> We believe that what gets measured, gets done. Measuring the total impact of businesses across the world *will help align resources* at the scale and speed necessary to overcome the challenges presented by climate change. That is why KPMG has proudly worked with the TCFD since 2017 and has been an active proponent of sustainable metrics since the beginning.[108]

Similarly, PwC stated that the EU's Corporate Sustainability Reporting Directive "is aimed at *driving change in the business behavior* of an estimated 50,000 companies that operate in the EU, which includes US companies with EU subsidiaries that meet certain criteria."[109] These statements demonstrate that auditors recognize that the push for climate-based disclosures is designed to change business behavior to accomplish a climate-related goal. Chairman Atkins criticized this exact practice when he noted that international accounting bodies "must promote high-quality accounting standards that are focused solely on driving reliable financial reporting and are not used as a backdoor to achieve political or social agendas."[110]

c. *Error Avoidance*

Finally, the subjective and speculative climate-related information required by the TCFD and ISSB undermines the reliability of audit results and conflicts with the duty of error avoidance. Commissioner Peirce emphasized the risk of mandating subjective information in 2022 with the following remarks:

> [T]he creation of the [ISSB] under the same umbrella organization as the [IASB] marries non-financial and financial standard setting in a way that is sure to water down the latter by tainting it with the imprecision of the former. … Setting sustainability standards on equal footing with financial reporting standards undermines the accounting standard setter's current important, investor-centered work. … We should keep accounting standards focused on the financial statements, [and] audit standards focused on audits of the financial statements.[111]

The ISSB standards are subjective and have been watered down specifically to facilitate the insertion of climate-related objectives as a pressure point for financial reporting. The ISSB standards merely require a "reasonabl[e] … expectat[ion]" that the information could "influence decisions that primary users of general purpose financial reports make on the basis of those reports."[112] And they require speculation over an indefinite period of time, by requiring an entity

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[107] https://www.deloitte.com/global/en/about/story/impact/world-climate.html.
[108] https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2024/03/2024-climate-risk-report.pdf at 4 (emphasis added).
[109] https://www.pwc.com/us/en/services/esg/library/sec-climate-disclosures.html (emphasis added).
[110] https://www.sec.gov/newsroom/speeches-statements/atkins-keynote-address-inaugural-oecd-roundtable-global-financial-markets-091025.
[111] https://www.sec.gov/newsroom/speeches-statements/peirce-audit-regulators-cliff-hangars-20220215.
[112] IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 8 ¶ 18.

to disclose climate-related information "that could reasonably be expected to affect the entity's cash flows, its access to finance[,] or cost of capital *over the short, medium or long term*."[113]

The ISSB standards will force companies to expend significant compliance costs. The inclusion of what "could" be expected to affect cash flows over the "long term," in turn requires companies to speculate based on the "uncertain and imprecise methods for calculating GHG emissions" and a "long and speculative" causal chain between those emissions and any financial effects.[114] Commissioner Peirce recognized in the context of the SEC's disclosure rule that "[t]o comply with the new rule, public companies will need elaborate internal control systems and disclosure control procedures to capture and distill information related to physical and transition risks, severe weather events, severe natural conditions, and greenhouse gas emissions" and will have to hire assurance providers.[115] "Transition risks" from governmental policies are especially speculative, given that the net-zero scenario of worldwide governmental cooperation is extraordinarily unlikely. Major governments are not setting stricter policies and regulations on climate change, and the United States has reversed course on its climate-change policies. Only 17% of countries have net-zero goals "in law,"[116] and the world's three highest-emitting countries are ranked as either "highly insufficient" or "critically insufficient" by the Climate Action Tracker.[117] China has recently constructed more coal plants than the rest of the world combined,[118] and India has record-high coal production and is pushing for more.[119] The United States withdrew from the Paris Agreement[120] and rescinded the Environmental Protection Agency's endangerment finding, along with motor vehicle emissions standards based on that finding.[121] The United States also has eased restrictions on oil and gas companies[122] and on natural-gas and coal electricity generation.[123] It has issued stricter policies and regulations related to wind and solar, such as cutting projects[124] and eliminating subsidies.[125] Even countries pledging allegiance to climate goals are not on track to meet those goals—for example, Germany's own climate advisors admit that Germany's policies will not meet climate targets.[126]

The ISSB standards also will expose companies to significant liability risk from climate litigation that disclosure advocates like Michael Bloomberg actively fund. While Michael

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113 *Id.* at 6 (emphasis added), 7–8, 11, 12–13, 24.
114 https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.
115 *Id.*
116 https://zerotracker.net/.
117 https://climateactiontracker.org/countries/china/; https://climateactiontracker.org/countries/usa/; https://climateactiontracker.org/countries/india/; https://edgar.jrc.ec.europa.eu/report_2025 (showing China, the United States, and India as the top three emitters).
118 https://climateactiontracker.org/countries/china/.
119 https://climateactiontracker.org/countries/india/ ("the government is pushing for increased domestic coal production").
120 https://www.cfr.org/articles/united-states-exits-paris-agreement.
121 https://www.govinfo.gov/content/pkg/FR-2026-02-18/pdf/2026-03157.pdf.
122 *See, e.g.*, https://www.energy.gov/articles/fact-sheet-delivering-us-oil-and-natural-gas-production.
123 https://www.epa.gov/system/files/documents/2026-01/for-website_preamble-clean-san11542-combustion-turbines-frm-20260108-eo-12866.pdf; https://www.nbcnews.com/science/environment/epa-eases-limits-coal-plant-emissions-mercury-toxins-trump-rcna259955.
124 https://www.doi.gov/pressreleases/trump-administration-protects-us-national-security-pausing-offshore-wind-leases.
125 https://www.whitehouse.gov/fact-sheets/2025/07/fact-sheet-president-donald-j-trump-ends-market-distorting-subsidies-for-unreliable-foreign-controlled-energy-sources.
126 *See* https://www.cleanenergywire.org/news/german-government-advisors-slam-new-climate-package-insufficient.

Bloomberg was chair of the TCFD,[127] Bloomberg Philanthropies funded the State Energy & Environmental Impact Center at NYU, and that center paid the salaries of assistant attorneys general to bring climate litigation.[128] Similarly, climate litigation funder Chris Hohn[129] launched the "Say on Climate" initiative, pushing for companies to make climate-related disclosures that could be used as a basis for litigation.[130] Commissioner Peirce recognized this threat, stating that companies will "face legal liability through Commission actions and the inevitable flood of class actions for their mandated filed disclosures."[131]

2. Potential threat to independence under the enumerated threat of "undue influence"

The Big Four's commitments to the TCFD, ISSB, and NZFSPA also may have compromised their duty of independence based on the specific threat of "undue influence." The "undue influence" threat is the "threat that a [professional] will subordinate his or her judgment to that of an individual associated with … any relevant third party due to that individual's reputation or expertise, aggressive or dominant personality, or attempts to coerce or exercise excessive influence over the [professional]."[132] The Big Four's commitments created an appearance of "undue influence" based on the market power of the organizations involved in the climate-related commitments that the Big Four joined.

The NZFSPA was one of several industry-specific organizations under the umbrella of the UN-supported Glasgow Financial Alliance for Net Zero ("GFANZ"). At one point, organizations committed to GFANZ controlled over $130 *trillion* in assets, leading GFANZ to announce that it had reached the "scale needed to deliver the [net-zero] transition."[133] A KPMG International report stated that "GFANZ serves as a forum for strategic coordination among leading finance institutions who have made their own net zero commitments, and will help to mobilize trillions of dollars to build a global zero emissions economy."[134]

GFANZ was led by Michael Bloomberg, Mark Carney (now a Canadian prime minister),[135] and other individuals who appear to exert influence through "reputation or expertise,

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[127] *See* https://www.fsb.org/2016/01/fsb-announces-membership-of-task-force-on-climate-related-financial-disclosures/; https://www.fsb-tcfd.org/about/.

[128] *See, e.g.*, https://oversight.house.gov/release/comer-investigates-bloomberg-philanthropies-for-partisan-activism-with-state-attorneys-general/.

[129] *See, e.g.*, https://web.archive.org/web/20200215022903/https://ciff.org/grant-portfolio/centre-climate-integrity/ (Hohn's Children's Investment Fund Foundation giving $7 million to "accelerate climate action by supporting climate litigation"); https://law.unimelb.edu.au/__data/assets/pdf_file/0004/3163126/GEIS_Evaluating-Strategic-Litigation-as-a-Tool-for-Climate-Change-Mitigation.pdf (showing Hohn's foundation as a funder for "strategic climate litigation"; motivation included getting companies to "disclose and manage climate-related business risks"; one goal was to "create credible litigation threat" and establish that "climate change = material financial risk").

[130] *See, e.g.*, https://www.asyousow.org/our-work/climate-and-energy/say-on-climate ("Say On Climate was launched by the hedge fund activist investor Chris Hohn through the Children's Investment Fund Foundation."); *cf.* https://ag.ny.gov/sites/default/files/court-filings/jbs-complaint.pdf at ¶¶ 39, 106, 113, 117 (lawsuit against beef producer that had announced a net-zero goal in sustainability reports, but allegedly had no plan to meet it).

[131] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.

[132] AICPA Code of Professional Conduct § 1.210.010.18 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 78.

[133] https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/; https://www.esgtoday.com/carney-net-zero-aligned-capital-surges-to-130-trillion/; *see also* https://www.pwc.com/gx/en/services/audit-assurance/corporate-reporting/climate-risks-audit.html.

[134] https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2021/10/can-capital-markets-save-the-planet.pdf at 2.

[135] https://www.gfanzero.com/about/ (showing Bloomberg as chair and listing Carney as a co-founder).

[an] aggressive or dominant personality, or attempt[ing] to coerce or exercise excessive influence over the [accounting professional]."[136] A GFANZ sub-group, the Net Zero Asset Managers initiative ("NZAM"), at one point had members with $57.5 trillion in assets under management,[137] and had an express commitment to "[e]ngage with actors key to the investment system ***including*** … ***auditors*** … to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner."[138] An analogous situation demonstrates the influence that the biggest asset owners can have on even their largest service providers. A Congressional investigation found that Norway's Government Pension Fund Global and Japan's Government Pension Investment Fund, two of the world's largest asset owners, pressured BlackRock to join a climate organization called "Climate Action 100+,"[139] and required BlackRock to "shift its voting to support climate resolutions."[140] These efforts were successful—BlackRock voted for 64% of environmental shareholder proposals in the 2020–21 proxy season, after only voting for 6% in the previous proxy season.[141] Given that BlackRock, which at the time had over $7 trillion in assets under management,[142] could be successfully pressured to make a public commitment and then change its voting, a reasonable observer would conclude there is a similar appearance of compromised independence for the Big Four after making commitments to the NZFSPA.

The undue influence threat also may be present based on the Big Four's commitments to promote the TCFD disclosures, because some of the same individuals involved in GFANZ were also involved in the TCFD. For example, Michael Bloomberg was a chair of both GFANZ and the TCFD.[143] As Bloomberg NEF reported, "through Bloomberg's stewardship of [GFANZ] and the [TCFD], Bloomberg is using the power of the capital markets to address climate change and support the transition to a net-zero economy."[144]

3. Potential threats to the Big Four's independence do not appear to be eliminated or reduced by "safeguards"

Finally, there is no public evidence that the Big Four applied "safeguards to eliminate or reduce" the potential threats to their independence from the climate commitments to "an acceptable level," as required by the AICPA framework.[145] As an initial matter, the AICPA code

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[136] *See* AICPA Code of Professional Conduct § 1.210.010.18 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 78.
[137] https://www.netzeroassetmanagers.org/2024/07/.
[138] https://web.archive.org/web/20250104092852/https:/www.netzeroassetmanagers.org/commitment/ (emphasis added).
[139] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-12.Sustainability-Shakedown.APPENDIX.Exhibit135-149.pdf (PDF p. 107, 112) (Ceres internal document stating that a "major Norwegian fund, with more [than] $1 trillion in assets, is also helping mount pressure" to get BlackRock to join Climate Action 100+, and that "BlackRock was influenced to join [Climate Action] 100+ after GPIF withdrew $50B from BlackRock"); https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/2024-12/2024-12-13-Sustainability-Shakedown-Report.pdf at 42.
[140] https://judiciary.house.gov/sites/evo-subsites/republicans-judiciary.house.gov/files/evo-media-document/Appendix_Full.pdf at PDF 419.
[141] https://corpgov.law.harvard.edu/2021/08/16/blackrock-flexes-its-muscles-during-the-2020-21-proxy-period/.
[142] https://www.sec.gov/Archives/edgar/data/1364742/000156459020007807/blk-10k_20191231.htm at 1.
[143] https://www.fsb-tcfd.org/about/; https://www.gfanzero.com/about/.
[144] https://about.bnef.com/insights/finance/2021-support-for-fossil-fuels-by-g-20-nations-reached-highest-level-since-2014/.
[145] AICPA Code of Professional Conduct § 1.210.010.09 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 76.

specifies that safeguards may not be available in the context of audits.[146] Moreover, there are two structural aspects to the commitments that make it unlikely that the Big Four could employ such safeguards. First, the public nature of the commitments heightens reputational risk to the Big Four from deviating from those commitments—any actions that contradict these pledges may damage the firm's reputation. As noted above, some of the commitments were made as part of an overall group controlling over $130 trillion in assets, so the Big Four are highly unlikely to be willing to suffer reputational harm with such a powerful group. Second, the commitments directly tie into structural financial incentives, as the Big Four may profit from promoting climate-reporting frameworks that impose additional disclosure burdens on companies, and therefore increase the Big Four's revenue.

II. The Big Four may have also violated their duties of integrity and objectivity by creating conflicts of interest

The Big Four's climate-based commitments may also violate the professional duties of integrity and objectivity, which include being free from conflicts of interest. The Big Four's climate commitments may have created a conflict of interest with the Big Four's audit clients. Those commitments required the pursuit of climate-activist objectives regardless of the interest or needs of the specific audit client. Furthermore, requiring climate-related disclosures in financial statements drives up the overall cost of audits and benefits the Big Four at the expense of their clients. Chairman Atkins recently stated that "the growing focus on issues and services that promote [accounting firms'] own financial self-interest[s]" is "troubling," in an apparent rebuke to the Big Four's efforts to force burdensome climate-related disclosures that would apply to their clients.[147]

A. The duties of integrity and objectivity prohibit conflicts of interest

The duties of integrity and objectivity require accountants providing audits or assurances to avoid conflicts of interest, where an accountant benefits at the expense of a client. The "Integrity and Objectivity Rule" requires that accountants and firms "in the performance of any professional service … shall maintain objectivity and integrity, shall be free of conflicts of interest, and shall not knowingly misrepresent facts or subordinate [their] judgment to others."[148] With respect to a conflict of interest, the code further provides that "[i]n determining whether a professional service, relationship or matter would result in a conflict of interest, a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists."[149] The AICPA rules further provide that a conflict of interest "creates adverse interest ... threats to the member's compliance with the 'Integrity and Objectivity Rule.'"[150] An "adverse interest" threat is "[t]he threat that a member will not act with objectivity because the member's interests are opposed to the client's interests."[151] A violation of the integrity and objectivity rule occurs "if the

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[146] AICPA Code of Professional Conduct § 1.110.010.03 (Conflicts of Interest for Members in Public Practice), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 53.
[147] https://tax.thomsonreuters.com/news/sec-chair-criticizes-accounting-firms-for-pushing-rules-driven-by-self-interest/.
[148] AICPA Code of Professional Conduct § 1.100.001.01 (Integrity and Objectivity Rule), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 52.
[149] *Id.* at 53.
[150] *Id.*
[151] *Id.* at 44.

member cannot demonstrate that safeguards were applied that eliminated or reduced significant threats to an acceptable level."[152]

Some states expressly incorporate AICPA's integrity and objectivity rule,[153] and states that do not incorporate the rule nonetheless require a similar duty. For example, Texas requires that a "person in the performance of professional accounting services or professional accounting work shall maintain integrity and objectivity, shall be free of conflicts of interest and shall not knowingly misrepresent facts nor subordinate his or her judgment to others."[154] Texas's code further provides that a:

> conflict of interest may occur if a person performs a professional accounting service or professional accounting work for a client or employer and the person has a relationship with another person, entity, product, or service that could, in the person's professional judgment, be viewed by the client, employer, or other appropriate parties as impairing the person's objectivity.[155]

Similarly, Florida provides that a CPA "shall not knowingly misrepresent facts, and, when engaged in the practice of public accounting, shall not subordinate his/her judgment to others including but not limited to clients, employers or other third parties."[156] Nebraska also provides that a "licensee shall not in the performance of professional services knowingly misrepresent facts, nor subordinate his judgment to others."[157]

B. The Big Four's memberships in climate-activist organizations and commitments to push for climate-based disclosures may create conflicts of interest that would violate the duties of integrity and objectivity

The Big Four's climate commitments may have created conflicts of interest that would violate their duties of integrity and objectivity. The Big Four have a public commitment, and therefore an interest, to achieve climate-related objectives regardless of the needs of their specific audit clients. This creates the risk that the Big Four prioritize complying with their climate commitments rather than carrying out their duties objectively for each client. As discussed in the section on independence, the Big Four made a commitment to the TCFD to push for a framework that *expressly* rejects any consideration of materiality for Scope 1 and Scope 2 emissions.[158] Furthermore, the Big Four issued a declaration supporting "climate-related reporting" as part of the ISSB framework (IFRS S1 and IFRS S2), which took over the TCFD's duties. That framework is fundamentally at odds with the U.S. standard for materiality, as well as the core accounting standards of neutrality and error avoidance.

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[152] AICPA Code of Professional Conduct § 1.100.005.02 (Application of the Conceptual Framework for Members in Public Practice and Ethical Conflicts), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 52.
[153] *See, e.g.*, Alaska Admin. Code tit. 12, § 04.004.
[154] 22 Tex. Admin. Code § 501.73(a).
[155] 22 Tex. Admin. Code § 501.73(b). Note that the same provision also provides for disclosure with consent in some cases. *See* 22 Tex. Admin. Code § 501.73(b) ("If the person believes that the professional accounting service or professional accounting work can be performed with objectivity, and the relationship is disclosed to and consent is obtained from such client, employer, or other appropriate parties in writing, then this rule shall not operate to prohibit the performance of the professional accounting service or professional accounting work because of a conflict of interest.").
[156] Fla. Admin. Code Ann. r. 61H1-21.002.
[157] 288 Neb. Admin. Code Ch. 5, § 003.
[158] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21.

The Big Four also committed to advocate for regulatory burdens that would demand non-material information from the Big Four's audit clients. As part of the NZFSPA, the Big Four committed to "proactively engag[e] with stakeholders and policy-makers on corporate and industry action, as well as public policies, that support a net zero transition of economic sectors in line with science and with regard to social impacts."[159] The Big Four carried out this commitment by generally supporting the SEC's proposed climate-related disclosure rule with support for some form of "mandated climate disclosures."[160] Chairman Atkins recently stated that "the growing focus on issues and services that promote [accounting firms'] own financial self-interest[s]" is "troubling," in what was perceived as a rebuke to firms that supported the SEC's burdensome climate-disclosure rule.[161] Leveraging political pressure to require non-material climate-related disclosures would create a conflict of interest with clients.

Requiring extensive non-financial climate-based disclosures also generates more work and revenue for the Big Four, against the interest of their clients. Indeed, Commissioner Peirce noted when the SEC's climate-related disclosure rules were first announced that "[a]udit firms are likely to be the biggest winners."[162] The Big Four each provide climate assurance services,[163] and supported assurance requirements in the 2024 SEC climate-related disclosure rule.[164] For

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[159] https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda.

[160] *See, e.g.*, https://www.sec.gov/comments/s7-10-22/s71022-20132060-302540.pdf at 1 (PwC: "[W]e support the need for mandated climate disclosures."); https://www.sec.gov/comments/s7-10-22/s71022-20131957-302416.pdf at 1 (EY: "We support the SEC's proposal regarding disclosure of greenhouse gas (GHG) emissions and obtaining assurance over those disclosures from an independent third party."); https://www.sec.gov/comments/s7-10-22/s71022-20131616-301992.pdf at 6 (KPMG: "[W]e are broadly supportive of the remaining proposed disclosures, which we note are substantially aligned with the recommendations of the TCFD."); *see also* https://www.sec.gov/comments/s7-10-22/s71022-20129946-296218.pdf (Deloitte's comment letter making suggestions and generally supporting "consistent reporting of high-quality, reliable, and comparable information that investors need to make investment decisions"); https://www.sec.gov/comments/climate-disclosure/cll12-8911341-244291.pdf at 1 (Deloitte's 2021 comment letter on the SEC's request for public input, "support[ing] the Commission's consideration of ways it might improve its current [climate change] disclosure regime to facilitate timely and material disclosure by companies, as well as investor access to that information").

[161] https://tax.thomsonreuters.com/news/sec-chair-criticizes-accounting-firms-for-pushing-rules-driven-by-self-interest/.

[162] https://www.sec.gov/newsroom/speeches-statements/peirce-climate-disclosure-20220321; *cf.* https://www.axios.com/pro/climate-deals/2022/05/12/big-four-pwc-kpmg-deloitte-ey-carbon-accounting (law firm partner stating that the Big Four would benefit the most from the SEC's climate-related disclosure rules).

[163] *See, e.g.*, https://kpmg.com/us/en/kpmg-sustainability.html ("Our sustainability assurance services include limited or reasonable assurance of greenhouse gas emissions, green/social bond use of proceeds, GRI and SASB reports, and management-developed KPIs."); *see also* https://www.deloitte.com/us/en/services/audit/services/sustainability.html; https://www.deloitte.com/us/en/services/audit-assurance/services/specialized-assurance-and-sustainability.html; https://www.pwc.com/us/en/services/esg/esg-reporting.html; https://www.ey.com/en_gl/services/assurance/sustainability-reporting-assurance-services.

[164] *See, e.g.*, https://www.sec.gov/comments/s7-10-22/s71022-20132060-302540.pdf at 3 (PwC: "Third-party assurance builds trust by providing investors with additional confidence in reported information. Therefore, we support inclusion of certain climate data in the footnotes to the financial statements and also support the SEC's proposal to ultimately require 'reasonable assurance' over scope 1 and 2 greenhouse gas emissions information (for certain filers)."); https://www.sec.gov/comments/s7-10-22/s71022-20131957-302416.pdf at 1 (EY: "We support the SEC's proposal regarding disclosure of greenhouse gas (GHG) emissions and obtaining assurance over those disclosures from an independent third party."); https://www.sec.gov/comments/s7-10-22/s71022-20131616-301992.pdf at 5 (KPMG: "We support the attestation of Scopes 1 and 2 emissions because it enhances the reliability of the disclosures for the benefit of investors, and for this reason we agree that reasonable assurance should be the ultimate goal."); https://www.sec.gov/comments/s7-10-22/s71022-20129946-296218.pdf at 9 (Deloitte: noting "the value the capital markets place on assurance" over ESG disclosures).

example, JPMorgan Chase and Co. engaged PwC to "to perform a limited assurance engagement over [Scope 1 and 2 GHG emissions] metrics."[165] The Big Four (or their subsidiaries) also have supported climate disclosure rules in other countries.[166] PwC has stated its belief that "sustainability audits will replace financial audits" in value,[167] and audits or assurances generate well over $50 billion annually for the Big Four.[168]

The EU's recent incorporation of the mandatory Corporate Sustainability Reporting Directive ("CSRD"), which broadly aligns with the TCFD disclosure framework,[169] demonstrates precisely how the Big Four are positioned to benefit while companies incur additional costs. Companies subject to the CSRD have reported "astronomical fees quoted for CSRD preparations."[170] The CSRD alone was initially expected to generate new auditing fees of $4 billion and $8 billion a year, with most of those fees going to the "de facto monopoly" of the Big Four.[171] Indeed, recent reports show that companies are "relying overwhelmingly on the Big Four accounting firms … to provide ... verification [under the CSRD framework]."[172] Reports also indicate that CSRD disclosures are now longer, which increases the work to create them and to provide assurance.[173]

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[165] https://www.jpmorganchase.com/content/dam/jpmorganchase/documents/about/jpmc-sustainability-report-2024.pdf at 20, n.i.

[166] *See, e.g.*, https://treasury.gov.au/sites/default/files/2023-04/c2022-314397-kpmg.pdf (p. 4) (KPMG comment to Australia supporting "mandatory climate disclosure requirements"); https://treasury.gov.au/sites/default/files/2023-04/c2022-314397-ernst-young-ey.pdf (p. 1) (EY comment to Australia supporting the "introduction of a national framework for climate-related financial disclosure ...."); https://treasury.gov.au/sites/default/files/2023-04/c2022-314397-pwc.pdf (p. 1) (PwC comment to Australia supporting "the government's commitment to requiring certain entities to provide greater transparency on their climate-related plans"); https://treasury.gov.au/sites/default/files/2023-04/c2022-314397-deloitte.pdf (p. 1) (Deloitte comment to Australia supporting "legal requirements for climate-related disclosure").

[167] https://www.luxtimes.lu/businessandfinance/big-four-target-more-revenues-from-sustainability/30149087.html.

[168] https://www.pwc.com/gx/en/about/global-annual-review/financial-performance.html (PwC assurance services $19.8 billion); https://www.ey.com/en_gl/newsroom/2025/10/ey-announces-global-revenue-of-us-53-2b-for-fiscal-year-2025 (EY assurance services $17.9 billion); https://kpmg.com/xx/en/media/press-releases/2025/12/kpmg-delivers-rise-in-global-revenue.html (KPMB audit services $14.1 billion). Deloitte does not separately break down its audit or assurance revenue, but had over $70 billion of global revenue in 2025, leading the Big Four. https://www.deloitte.com/global/en/about/press-room/global-revenue-announcement.html.

[169] *See* https://www.manifestclimate.com/blog/comparing-csrd-tcfd/.

[170] https://www.thomsonreuters.com/en-us/posts/esg/csrd-noncompliance/.

[171] https://www.bloomberg.com/news/articles/2022-06-20/an-8-billion-esg-market-pits-eu-lawmakers-against-audit-firms.

[172] https://esgnews.com/early-csrd-filings-reveal-how-mandatory-eu-disclosure-is-reshaping-corporate-sustainability-reporting; https://www.srnav.com/insights/assurance-of-first-wave-csrd-sustainability-statements (claiming that nearly 90% of CSRD engagements were conducted by the Big Four); *cf.* https://www.aefinfo.fr/depeche/725553-csrd-a-quel-point-les-big-five-sont-ils-preponderants-dans-les-audits-de-durabilite-des-entreprises (showing major French companies overwhelmingly using the Big Four for CSRD reporting).

[173] https://esgnews.com/early-csrd-filings-reveal-how-mandatory-eu-disclosure-is-reshaping-corporate-sustainability-reporting.

C. The potential threats to the Big Four's integrity and objectivity do not appear to be eliminated or reduced by "safeguards"

Finally, as with the potential threat to independence, there is no public evidence that the Big Four applied "safeguards" to eliminate or reduce these potential threats to their integrity and objectivity to "an acceptable level," as required by the AICPA framework.[174]

III. The Big Four's advertising regarding their independence, integrity, and objectivity may violate state laws prohibiting unfair and deceptive acts and practices

The Big Four may have violated state UDAP laws by making deceptive representations and omissions to customers about their independence, integrity, and objectivity when providing professional services. The Big Four touted their independence, integrity, and objectivity, but did not disclose their climate-related commitments or their advocacy for additional burdensome disclosure requirements. This makes their statements about independence, integrity, and objectivity deceptive, as these statements are material and misleading to a business acting reasonably under the circumstances. The commitments may also constitute unfair acts and practices because they cause serious financial harm to companies in the form of higher fees and increased risk of false or inaccurate statements, and harm consumers by imposing unnecessary costs. This harm is not outweighed by a benefit to the companies, competition, or consumers—particularly where the Big Four "collectively audit approximately 80% of the market capitalization of public companies listed on exchanges."[175]

A. State laws prohibit deceptive and unfair acts and practices, including deceptive business-to-business advertisements by professionals

State UDAP laws broadly prohibit deceptive and unfair acts and practices. Generally, a company's statement is deceptive when it is likely to mislead a reasonable consumer under the circumstances and is material (likely to affect a consumer's conduct or decision regarding a product or service).[176] An omission is likewise deceptive if it is likely to mislead a reasonable consumer and is material.[177] An act or practice is unfair if it causes or is likely to cause a substantial injury to a consumer, is not reasonably avoidable, and is not outweighed by countervailing benefits to consumers or to competition.[178]

Specific state UDAP laws follow these general standards. For example, the UDAP laws in Florida, Alaska, Nebraska, and Texas include similar standards. Those UDAP laws also apply to professional service providers like the Big Four, and cover business-to-business interactions.

The Florida Deceptive and Unfair Trade Practices Act ("FDUTPA")[179] prohibits "unfair or deceptive acts or practices in the conduct of any trade or commerce."[180] Florida caselaw describes

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[174] AICPA Code of Professional Conduct § 1.100.005.02 (Application of the Conceptual Framework for Members in Public Practice and Ethical Conflicts), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 52–56; *see also supra* section I.B.3.

[175] *See* https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-posts-report-detailing-significant-improvements-across-largest-firms--alongside-inspection-results-in-record-time.

[176] *See, e.g.*, https://www.ftc.gov/system/files/documents/public_statements/410531/831014deceptionstmt.pdf.

[177] *See, e.g.*, https://www.ftc.gov/system/files/documents/public_statements/410531/831014deceptionstmt.pdf; *see also State, Off. of Atty. Gen., Dep't of Legal Affs. v. Wyndham Int'l, Inc.*, 869 So. 2d 592, 598 (Fla. Dist. Ct. App. 2004) (referring to the "representation or omission at issue").

[178] *See* 15 U.S.C. § 45(n).

[179] Fla. Stat. § 501.201 *et seq.*

[180] Fla. Stat. § 501.204(1).

a "deceptive practice" as one that is "likely to mislead consumers acting reasonably in the circumstances, to the consumers' detriment,"[181] and "trade or commerce" includes the "advertising, soliciting, providing, [or] offering … of any good or service."[182] Florida does not have a blanket exception for professional service providers,[183] and Florida caselaw has recognized business-to-business violations.[184]

The Alaska Unfair Trade Practices and Consumer Protection Act ("UTPA")[185] bars "unfair methods of competition and unfair or deceptive acts or practices in the conduct of trade or commerce."[186] Under the UTPA, "an act or practice is deceptive or unfair if it has the capacity or tendency to deceive,"[187] and the terms "unfair methods of competition" and "unfair or deceptive acts or practices" include "representing that goods or services have … characteristics … that they do not have."[188] The Alaska Supreme Court has recognized that the UTPA encompasses "business-to-business transactions,"[189] and that licensed professionals are not automatically exempt.[190]

The Nebraska Consumer Protection Act ("NCPA")[191] makes unlawful "[u]nfair methods of competition and unfair or deceptive acts or practices in the conduct of any trade or commerce,"[192] and it applies to "unfair or deceptive practices which affect the 'public interest.'"[193] "Trade and commerce" mean "the sale of assets or services and any commerce directly or indirectly affecting the people of the State of Nebraska."[194] The Nebraska Attorney General may bring an action "against any person," including businesses,[195] and the Nebraska Supreme Court has recognized that licensed professionals are not automatically exempted from

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[181] *Angelo v. Parker*, 275 So. 3d 752, 755 (Fla. Dist. Ct. App. 2019) (cleaned up); *see also* Fla. Stat. § 501.204(2) (giving "great weight ... to the interpretations of the Federal Trade Commission"). The statute applies to misrepresentations and omissions. *See State, Off. of Atty. Gen., Dep't of Legal Affs. v. Wyndham Int'l, Inc.*, 869 So. 2d 592, 598 (Fla. Dist. Ct. App. 2004) (referring to the "representation or omission at issue").

[182] Fla. Stat. § 501.203(8).

[183] *See* Fla. Stat. Ann. § 501.212 (exempting certain financial service providers and real estate professionals); *Kelly v. Palmer, Reifler, & Assocs., P.A.*, 681 F. Supp. 2d 1356, 1371 (S.D. Fla. 2010) ("[A]ttorneys are not automatically exempt from the operation of" FDUTPA.).

[184] *See, e.g.*, *Fin-S Tech, LLC v. Surf Hardware Int'l-USA, Inc.*, No. 13-CV-80645, 2014 WL 12461349, at *10 (S.D. Fla. Jan. 7, 2014); *Aceto Corp. v. TherapeuticsMD, Inc.*, 953 F. Supp. 2d 1269, 1287 (S.D. Fla. 2013); *see also* Fla. Stat. Ann. § 501.202; Fla. Stat. Ann. § 501.207(1)(b).

[185] *See* Alaska Stat. § 45.50.471 *et seq.*

[186] Alaska Stat. § 45.50.471.

[187] *Portfolio Recovery Assocs., LLC v. Duvall*, 568 P.3d 1224, 1255 (Alaska 2025) (cleaned up).

[188] Alaska Stat. § 45.50.471(b)(4).

[189] *Alaska Interstate Const., LLC v. Pac. Diversified Invs., Inc.*, 279 P.3d 1156, 1163 (Alaska 2012).

[190] The UTPA exempts acts or transactions "regulated by a statute or regulation administered by the state, including a state regulatory board or commission, unless the statute or regulation does not prohibit the practices declared unlawful in" the UTPA. Alaska Stat. § 45.50.481(a)(1). "Mere regulation" is not enough, and the other statutes or regulations must "prohibit the specific conduct at issue." *See Adkins v. Collens*, 444 P.3d 187, 195–96 (Alaska 2019). The Alaska Supreme Court has held that the attorneys are not exempt from the UTPA, and that the UTPA's "regulatory system coexists with" rules of civil procedure and rules of professional conduct. *See Jones v. Westbrook*, 379 P.3d 963, 969 (Alaska 2016); *see also Merdes & Merdes, P.C. v. Leisnoi, Inc.*, 410 P.3d 398, 413 (Alaska 2017) ("[W]e recently reaffirmed that attorney conduct is not exempt from UTPA liability."). In the same way, the accountancy regulations appear to "coexist" with the UTPA.

[191] Neb. Rev. Stat. Ann. § 59-1602 *et seq.*

[192] Neb. Rev. Stat. Ann. § 59-1602.

[193] *Eicher v. Mid Am. Fin. Inv. Corp.*, 748 N.W.2d 1, 12 (Neb. 2008).

[194] Neb. Rev. Stat. Ann. § 59-1601.

[195] Neb. Rev. Stat. Ann. §§ 59-1608, 59-1601(1).

the NCPA.[196] The Attorney General also enforces the Nebraska Uniform Deceptive Trade Practices Act,[197] which provides that a person engages in a deceptive trade practice when "he or she … [r]epresents that goods or services have … characteristics … that they do not have."[198]

The Texas Deceptive Trade Practices Act ("DTPA")[199] prohibits "[f]alse, misleading, or deceptive acts or practices in the conduct of any trade or commerce."[200] The DTPA incorporates interpretations of the FTC Act as to deceptive acts,[201] and "trade" and "commerce" include "the advertising, offering for sale, sale, … or distribution of any good or service."[202] The Texas Attorney General can bring enforcement actions against "any person," including businesses.[203] The DTPA restricts certain damages claims against professional service providers, but does not provide a blanket exception for those providers.[204]

B. The Big Four appear to deceptively advertise their independence, integrity, and/or objectivity in professional services

The Big Four appear to have made deceptive statements and omissions when advertising their services to potential clients. When advertising, the Big Four tout their independence, integrity, and/or objectivity, yet they omit that they may have compromised these core standards by making commitments to climate-activist organizations and commitments to impose burdensome disclosure rules. These statements appear likely to mislead a reasonable consumer under the circumstances and to affect a consumer's choice regarding a product or service.[205]

For example, EY states on its United States "Audit services" page that it "execut[es] high-quality audits ***with independence[and] objectivity*** and professional skepticism."[206]

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[196] The NCPA generally exempts "actions or transactions otherwise permitted, prohibited, or regulated under laws administered by … [a] regulatory body or officer acting under statutory authority of this state or the United States." Neb. Rev. Stat. Ann. § 59-1617(1). But the Nebraska Supreme Court has held that under this exemption, "particular conduct is not immunized from the operation of the [NCPA] merely because the actor comes within the jurisdiction of some regulatory body," but rather the complained-of "conduct itself" must be regulated. *Wrede v. Exch. Bank of Gibbon*, 531 N.W.2d 523, 529 (Neb. 1995).

[197] *See* Neb. Rev. Stat. Ann. § 87-303.05.

[198] Neb. Rev. Stat. Ann. § 87-302(a)(5).

[199] Tex. Bus. & Com. Code Ann. § 17.41 *et seq.*

[200] Tex. Bus. & Com. Code Ann. § 17.46(a).

[201] Tex. Bus. & Com. Code Ann. § 17.46(c).

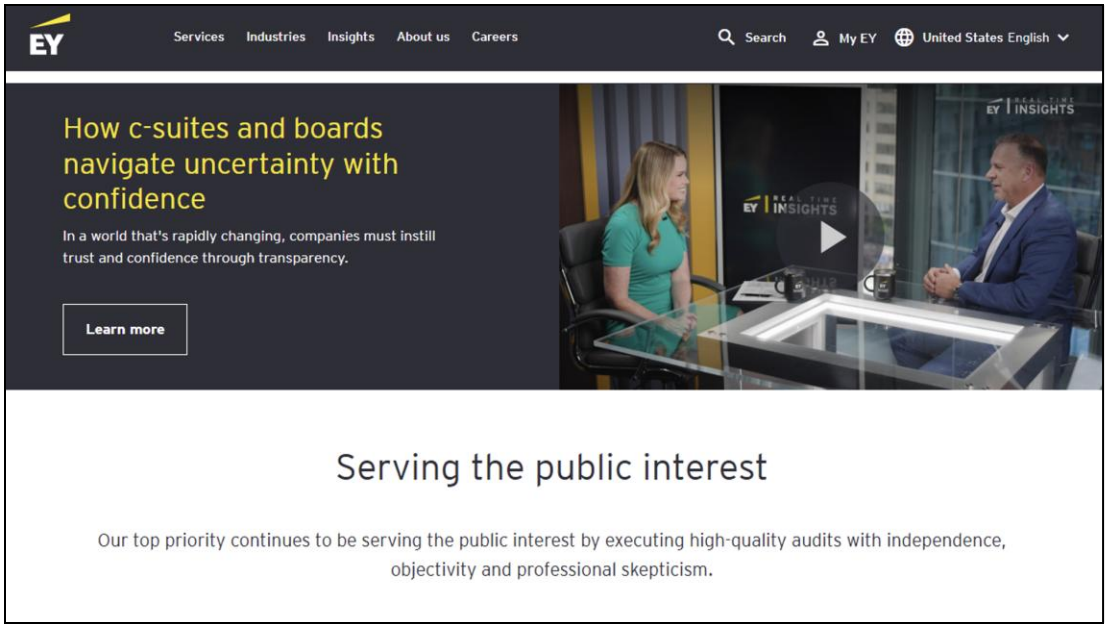
[202] Tex. Bus. & Com. Code Ann. § 17.45(6).

[203] *See* Tex. Bus. & Com. Code Ann. § 17.47(a); Tex. Bus. & Com. Code Ann. § 17.45(3).

[204] The DTPS does not "apply to a claim *for damages* based on the rendering of a professional service, the essence of which is the providing of advice, judgment, opinion, or similar professional skill," but the "exemption does not apply to … an express misrepresentation of a material fact that cannot be characterized as advice, judgment, or opinion." *See* Tex. Bus. & Com. Code Ann. § 17.49(c) (emphasis added); *see also Nast v. State Farm Fire & Cas. Co.*, 82 S.W.3d 114, 122 (Tex. App. 2002) (insurance agent's false representations that the plaintiffs were ineligible for flood insurance was a material misrepresentation that was not advice, judgment or opinion); *but see Parsons v. Trichter & LeGrand, P.C.*, No. 14-21-00284-CV, 2022 WL 17099869, at *4 (Tex. App. Nov. 22, 2022) (attorney's breach of a promise did not constitute a misrepresentation of a material fact for the sake of the exception).

[205] *See, e.g.*, https://www.ftc.gov/system/files/documents/public_statements/410531/831014deceptionstmt.pdf.

[206] https://www.ey.com/en_us/services/audit (emphasis added).



EY also generally represents that it maintains its independence and objectivity in its professional responsibilities, and continuously monitors its independence.[207]

As explained in Part I, *supra*, the commitments that EY made to the TCFD, ISSB, and NZFSPA may create a conflict between meeting those commitments and carrying out an audit solely based on professional accounting standards of materiality, neutrality, and error avoidance. Because these commitments could cause EY to deviate from professional standards, they would be material to a reasonable consumer of audit services, yet EY omits that information. Also, the use of the word "continues" suggests that EY has maintained independence and objectivity, when in reality EY committed to the TCFD to support climate-based disclosures "independent of a materiality assessment."[208]

KPMG states on its main page advertising Financial Statement Audits that it will act "within an environment of ***objectivity, independence, ethics, and integrity***."[209] KPMG thus expressly emphasizes its "objectivity," "independence" and "integrity" when advertising these services.

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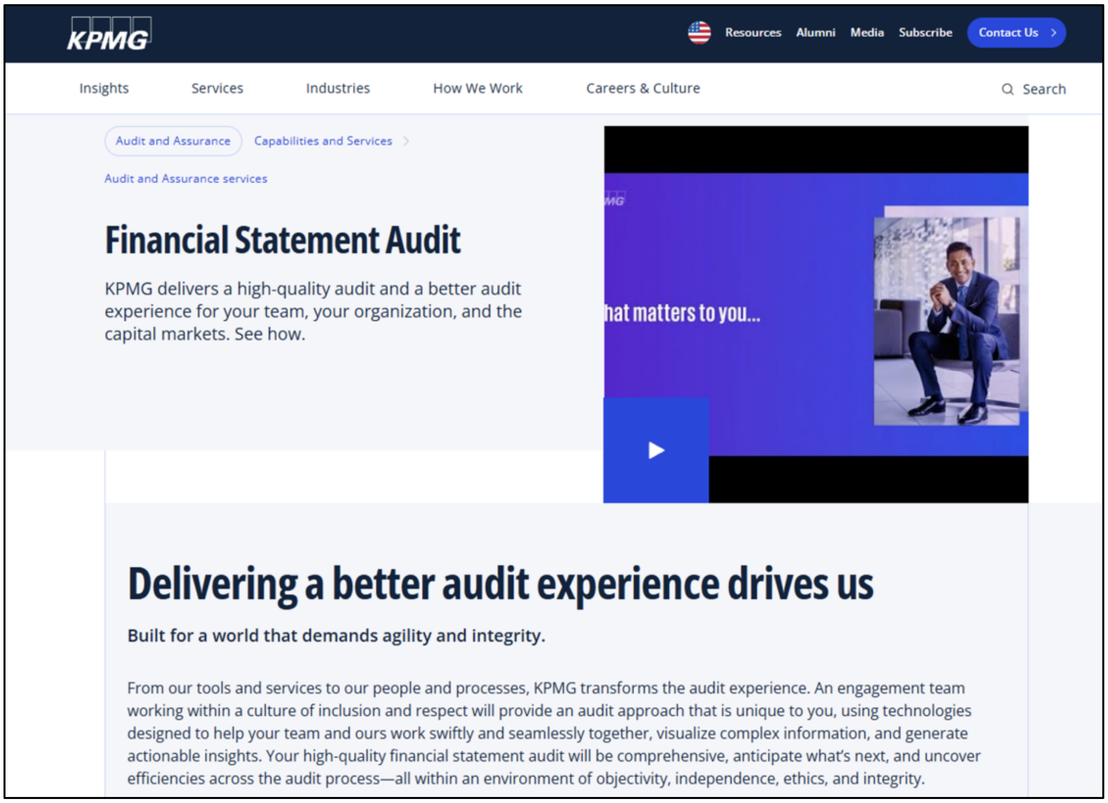
207 https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/about-us/documents/ey-global-coc-brochure-2024.pdf.
208 https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21.
https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 6, n.8.
209 https://kpmg.com/us/en/capabilities-services/audit-services/financial-statement-audit.html (emphasis added).



KPMG also generally represents that it commits to clients that it will maintain "independence and objectivity."[210]

As with EY, KPMG's commitments to the TCFD, ISSB, and NZFSPA may create a threat to independence by causing KPMG to deviate from professional standards of materiality, neutrality, and error avoidance, and to instead promote burdensome and costly climate-related disclosures.[211] Therefore, these commitments would be material to a reasonable consumer of audit services, whose choice may be affected by this information.

PwC states on its main webpage advertising its "Financial statement audit services" that PwC is "continuously seeking to improve and take meaningful actions to further enhance our culture of quality, transparency, ***integrity and independence***."[212]

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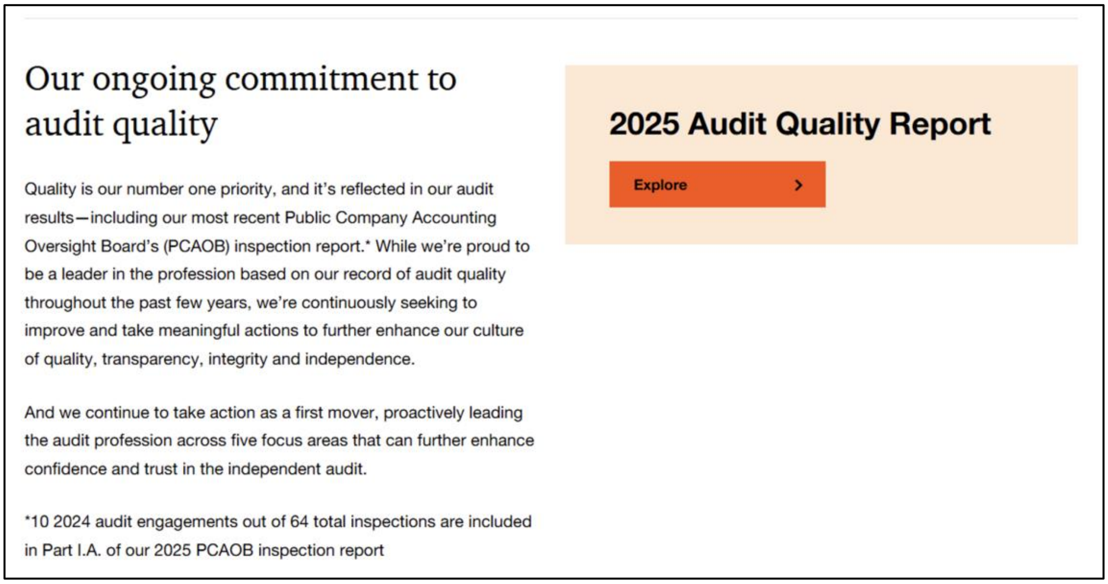
[210] https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/kpmg-us-code-of-conduct.pdf at 24.

[211] *See, e.g.*, https://assets.kpmg.com/content/dam/kpmg/xx/pdf/2024/03/2024-climate-risk-report.pdf at 4 (Global Chaiman and CEO noting KPMG's commitment to TCFD disclosures and stating that "[m]easuring the total impact of businesses across the world will help align resources at the scale and speed necessary to overcome the challenges presented by climate change").

[212] https://www.pwc.com/us/en/services/audit-assurance/financial-statement-audit.html (emphasis added).



This page also lists "sustainability reporting and independent assurance" as a separate service "beyond the audit."[213] PwC also generally represents on another webpage that it operates by "core principles" that include "integrity" and "objectivity," and that it completes assessments "independently."[214] PwC emphasizes that "being independent in fact and in appearance is at the heart of objectivity."[215]

In contrast to these representations, PwC does not disclose on either page the material information that it made commitments to the TCFD, ISSB, and NZFSPA that threaten PwC's independence, integrity, and objectivity.[216]

Deloitte states on a webpage titled "Guided by Conscience: Deloitte and the Pursuit of Independence and Objectivity" that "[t]hroughout its history, Deloitte has been an industry leader in maintaining and strengthening [independence and objectivity]."[217] Deloitte even specifically boasts about its connection to the AICPA, which was "co-founded by Deloitte pioneer Charles Waldo Haskins in 1887."[218]

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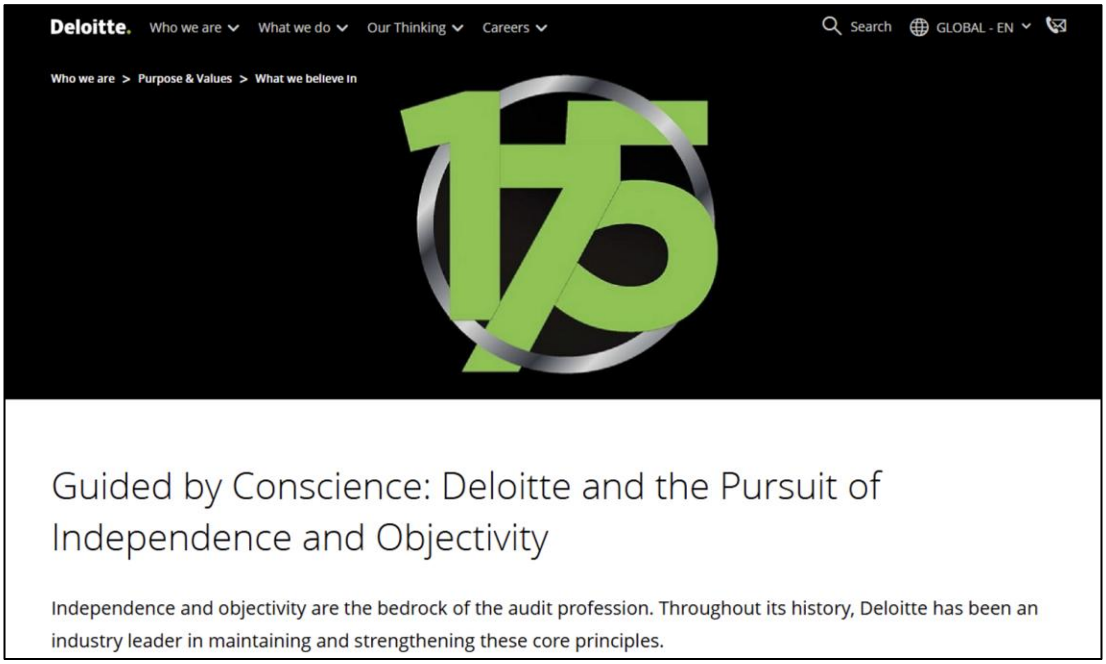
[213] https://www.pwc.com/us/en/services/audit-assurance/financial-statement-audit.html.
[214] https://www.pwc.com/gx/en/about/ethics/pwc-code-of-conduct.pdf at 10, 11.
[215] *Id.* at 11.
[216] *See* https://www.pwc.com/us/en/services/audit-assurance/financial-statement-audit.html.
[217] https://www.deloitte.com/global/en/about/story/purpose-values/independence-and-objectivity.html (emphasis added).
[218] *Id.*



Deloitte also notes on another page that its audit and assurance team "has a singular commitment to integrity, independence, and transparency which informs everything Deloitte does to protect the public interest."[219] Deloitte generally represents elsewhere that independence is "essential" to its work and that it has the professional obligation to maintain independence in fact and appearance.[220]

Deloitte's representations, including its emphasis on "strengthening … core principles," conflict with the commitments that Deloitte made to the TCFD, ISSB, and NZFSPA, which Deloitte has not disclosed. Those commitments may create a threat of conflicts between pursuing climate-activist commitments and carrying out an audit solely based on professional accounting standards, including materiality, neutrality, and error avoidance.

Finally, the Big Four's representations about their independence, integrity, and objectivity do not disclose to consumers that the Big Four advocates for additional burdensome disclosure requirements that deviate from core accounting standards, particularly materiality. As Chairman Atkins has noted, there is a "real problem" with accounting firms "completely subvert[ing] the importance of financial materiality and financial accounting."[221] And he "strongly criticized accounting firms for having pressured the [SEC] to adopt certain disclosure rules that do not necessarily reflect the traditional concept of materiality, issuing a stern warning to the firms."[222] These activities are material to reasonable consumers, and their omission may render the Big Four's statements deceptive.

In sum, the Big Four all advertise their independence, integrity, and objectivity, but do not disclose their commitments to climate-activist groups or their pursuit of burdensome requirements on their customers.

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219 https://www.deloitte.com/global/en/services/audit-assurance/services/audit.html?icid=bn_audit.
220 https://www.deloitte.com/global/en/about/story/purpose-values/independence.html.
221 https://tax.thomsonreuters.com/news/sec-chair-criticizes-accounting-firms-for-pushing-rules-driven-by-self-interest/.
222 *Id.*

C. The Big Four's commitments to climate-activist groups may also qualify as an unfair practice

The Big Four's commitments may also constitute an unfair practice under state UDAP laws. Generally, an unfair practice must cause or be likely to cause a substantial injury to a consumer, in a way that is not reasonably avoidable, and is not outweighed by countervailing benefits to consumers or to competition.[223]

Here, the Big Four's agreement to pursue climate-activist goals in their auditing activities causes or is likely to cause substantial injury to the businesses who pay for audits or assurances. Substantial injury may arise from the increased costs of the audits or assurances, and from increased liability. As discussed above, the example of CSRD filings show that these types of disclosures are "complex and administratively burdensome,"[224] and Commissioner Peirce has identified significant compliance costs and liability risks for companies forced to make climate-related disclosures.[225]

The Big Four's commitments also hurt small businesses and consumers by driving up costs. The Big Four supported the SEC's proposed climate-related disclosure rules and now appear to be implementing them indirectly, but those rules would have cost billions of dollars.[226] Although the SEC initially estimated the cost of the proposed rules to be around $6 billion per year, an economist modeling the actual effects on the economy found that the economy-wide negative impact would be over $25 billion per year.[227] Public-company climate-related disclosure rules also harm small businesses and farmers, who supply those larger companies and thus also must engage in burdensome and complex climate reporting.[228] Even under President Biden, the Small Business Administration's Office of Advocacy warned that the SEC's proposed rules "impose fixed costs that will fall disproportionately on small entities" and could force some small businesses to close.[229]

The Big Four's climate commitments also hurt the American economy and national security. As noted above, climate-related disclosure rules are burdensome and designed to influence company conduct. Pushing American companies away from reliable sources of electricity like coal and natural gas will threaten America's electric grid.[230] Reducing American coal, oil, and gas production also benefits China, which dominates solar and wind supply

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[223] *See, e.g.*, 15 U.S.C. § 45(n).
[224] https://blog.iese.edu/finance-and-nature/2026/the-corporate-sustainability-reporting-directive-csrd-by-2026-regulatory-evolution-political-tensions-and-the-future-of-sustainable-finance/.
[225] https://www.sec.gov/newsroom/speeches-statements/peirce-statement-mandatory-climate-risk-disclosures-030624.
[226] *Id.* at n.23.
[227] https://www.sec.gov/comments/s7-10-22/s71022-20132304-302836.pdf.
[228] *See* https://www.sec.gov/newsroom/speeches-statements/peirce-remarks-american-enterprise-institute-120722; *cf.* https://www.globenewswire.com/news-release/2023/11/16/2781887/0/en/U-S-SMEs-struggle-with-sustainability-more-than-global-peers-find-reporting-standards-complex-and-costly.html (around half of small and medium-size businesses surveyed reporting that climate-related disclosures were too complex, and over 60% reported that climate-related disclosures typically were demanded by their customers).
[229] https://advocacy.sba.gov/wp-content/uploads/2022/06/Comment-Letter-SEC-Climate-Disclosure-Rules-6-17-22.pdf at 1, 7; *see also* https://www.nfib.com/news/news/small-business-victory-in-climate-change-reporting-requirement/ (noting that the NFIB had raised similar concerns).
[230] https://www.energy.gov/sites/default/files/2025-07/DOE Final EO Report %28FINAL JULY 7%29_0.pdf at 1 (U.S. Department of Energy warns that switching away from coal and natural gas for electricity generation will increase "risk of power outages by 100x in 2030.").

chains[231] and relies heavily on coal power for its own electricity.[232] Moving towards net zero in America also will drive manufacturing jobs to China.[233]

The harm to the Big Four's clients, competition, and consumers is not reasonably avoidable and is not outweighed by countervailing benefits to consumers or to competition. Companies already pay a premium to receive services from the Big Four, which shows the Big Four have market power to demand higher prices due to their perceived "market dominance and audit quality." [234] The Big Four "collectively audit approximately 80% of the market capitalization of public companies listed on exchanges."[235] Thus, when all members of the Big Four make climate commitments to the TCFD, ISSB, and NZFSPA, the harm is not reasonably avoidable. No countervailing benefits are created by these climate-activist commitments—in fact, those commitments harm companies and consumers (who end up paying more), as well as competition (as the Big Four have all made the same commitments).

IV. The Big Four Also May Be Violating Terms of State and Federal Contracts

The Big Four's efforts to push for climate-related disclosures in apparent violation of their professional duties would also violate their state and federal contracts. For example, KPMG's contract with Florida requires "compl[iance] with all laws, rules, codes, ordinances, and licensing requirements that are applicable to the conduct of its business."[236] Similarly, the Big Four's federal contracts[237] often contain provisions related to compliance with ethics and conflicts of interest rules.[238] As described above, the Big Four's actions implicate professional standard and conflict of interest requirements. Violating state and federal contractual terms could result in penalties and termination of the Big Four's contracts.

V. Conclusion

The Big Four's climate commitments to the TCFD, ISSB, and NZFSPA conflict with core professional accounting standards of materiality, neutrality, and error avoidance. These commitments create an appearance that the Big Four have agreed to compromise their independence in favor of pursuing climate-related goals external to the audit. The Big Four's climate commitments also create potential conflicts of interest that may violate the duties of integrity and objectivity by imposing climate-related disclosure obligations that benefit the Big Four at the expense of their clients. Furthermore, the Big Four's advertising about their

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[231] *See, e.g.*, https://www.iea.org/reports/energy-technology-perspectives-2023/clean-energy-supply-chains-vulnerabilities (noting that China holds 60% of the world's manufacturing capacity for solar and wind power components, supplies 60% of the world's rare earth elements, and refines 90% of the world's rare earth elements).
[232] *See, e.g.*, https://climateactiontracker.org/countries/china/.
[233] *See* https://www.reuters.com/markets/commodities/old-economy-demands-may-stall-emerging-market-decarbonization-2026-01-30/ (noting that China is by far the largest cement and steel producer); https://oilprice.com/Energy/Energy-General/The-Net-Zero-Paradox-No-One-Admits.html (noting that in pursuit of net zero, Western companies have outsourced manufacturing to China, resulting in more coal use).
[234] *See* https://mpra.ub.uni-muenchen.de/123383/ (study finding "that companies audited by Big Four auditors pay significantly more, which is symptomatic of their perceived market dominance and audit quality").
[235] *See* https://pcaobus.org/news-events/news-releases/news-release-detail/pcaob-posts-report-detailing-significant-improvements-across-largest-firms--alongside-inspection-results-in-record-time.
[236] https://dms-media.ccplatform.net/content/download/151814/1010630/FPA%20-%20KPMG%20-%20Executed.pdf at 8.
[237] https://www.washingtontechnology.com/rankings/top-100/2024/ (analysis indicating that over $4.5 billion of federal spending in 2024 went to the Big Four).
[238] *See, e.g.*, https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/2023/oasis-unrestricted-pool-2-contract.pdf at 25, 45–47.

independence, integrity, and objectivity, without disclosure of their climate-activist commitments and actions to impose additional regulatory burdens on their customers, may constitute deceptive and unfair acts and practices under state law.

VI. Questions for the Big Four

1. Explain the impact of your commitments to the TCFD, ISSB, and NZFSPA on small businesses or farmers that are part of the supply chain for public companies.

Questions related to duty of independence

2. Your firm committed to support a framework of climate-based disclosures "independent of a materiality assessment" as part of the TCFD.[239] How is committing to support disclosures independent of materiality consistent with your professional duty of independence, when materiality is fundamental to the core objectives of audits under PCAOB rules and GAAP?

3. Your firm signed a declaration of support at COP28 "committ[ing] to advancing the adoption or use of the [ISSB]'s climate-related reporting at a global level."[240] How is committing to support this reporting regime consistent with your professional duty of independence, when materiality is fundamental to the core objectives of audits, and the ISSB reporting standard deviates from U.S. materiality principles in key respects? In your answer, address each of the following issues:

    a. The ISSB standard describes materiality as merely requiring a "reasonabl[e] … expectat[ion]" that the information could "influence decisions that primary users of general purpose financial reports make on the basis of those reports"; in contrast, the PCAOB standard is based on a "substantial likelihood" that the disclosure affects the "total mix of information" for a reasonable investor.[241]

    b. ISSB standards require climate-related speculation over an undefined period of time, by requiring an entity to disclose information "that could reasonably be expected to affect the entity's cash flows, its access to finance[,] or cost of capital *over the short, medium or long term*."[242]

4. Provide copies of all training materials and written guidance for auditors that were created, issued, provided, or used by your firm since 2020 that are related to climate-related disclosures and reporting in company statements, including (a) all documents related to the materiality or lack of materiality of climate-related information, and (b) all documents related to any ISSB standards or to the Bulletin.

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[239] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21.
[240] https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/; https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/.
[241] *Compare* IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 8, *with TSC Industries v. Northway, Inc.*, 426 U.S. 438, 449 (1976) *and* https://pcaobus.org/oversight/standards/auditing-standards/details/AS2105 (incorporating *Northway*).
[242] IFRS S1, https://www.ifrs.org/content/dam/ifrs/publications/pdf-standards-issb/english/2023/issued/part-a/issb-2023-a-ifrs-s1-general-requirements-for-disclosure-of-sustainability-related-financial-information.pdf?bypass=on at 6, 7–8, 11, 12–13, 24 (emphasis added).

5. Provide all external guidance or statements you have created, issued, or provided related to climate-related disclosures and reporting in company statements, including all documents related to the materiality or lack of materiality of climate-related information, and including all documents related to any ISSB standards or to the Bulletin.

6. Provide all documents related to the time horizons you use or have used for climate-related disclosures in audits or assurances, and explain (a) why you used each time horizon and (b) during what time period you used each time horizon.

7. Your firm committed to the NZFSPA to "proactively engag[e] with stakeholders and policy-makers on corporate and industry action, as well as public policies, that support a net zero transition of economic sectors in line with science and with regard to social impacts."[243] Explain how this commitment is consistent with GAAP's principle of neutrality, which requires that financial information be presented "without bias in the selection or presentation of financial information."[244]

8. SEC Chairman Atkins has stated that there is a "real problem" with accounting firms "completely subvert[ing] the importance of financial materiality and financial accounting," and that "the growing focus on issues and services that promote [accounting firms'] own financial self-interest" is "troubling."[245] Explain your firm's response to these criticisms and what actions, if any, your firm has taken or is taking to address them.

9. Is it your firm's position that disclosures of Scope 1, 2, or 3 emissions are material for the companies you audit or provide assurances for? Describe your approach to determining whether such disclosures are material. Provide copies of all internal policies, guidance, and similar documents you have created, issued, or provided since 2020 to guide your auditors on this issue.

10. Is it your firm's position that disclosures of climate-related risks are material for every company you audit or provide assurances for? Describe your approach to determining whether such disclosures are material. Provide copies of all internal policies, guidance, and similar documents you have created, issued, or provided since 2020 to guide your auditors on this issue.

11. Do you contend that "safeguards to eliminate or reduce" the threats to your firm's independence are available under the AICPA code in the context of audits or assurances?[246] If so, explain what "safeguards" are available in this context and what safeguards, if any, your firm has applied to eliminate or reduce the threats to independence arising from your commitments to the TCFD, ISSB, and NZFSPA.[247] Provide copies of all documents showing the safeguards that your firm employed related to these threats to independence.

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[243] https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda.
[244] *See* https://storage.fasb.org/Concepts%20Statement%208%20Chapter%203%20As%20Amended.pdf at 3.
[245] https://tax.thomsonreuters.com/news/sec-chair-criticizes-accounting-firms-for-pushing-rules-driven-by-self-interest/.
[246] AICPA Code of Professional Conduct § 1.110.010.07 (Conflicts of Interest for Members in Public Practice), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 43.
[247] AICPA Code of Professional Conduct § 1.210.010.09 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 76.

12. If you contend the safeguards described in your response to the previous question reduced threats to independence to an acceptable level under the AICPA code, describe why this is the case and provide documents showing why this is the case.

13. Your firm was a founding member of the NZFSPA, which operated under the umbrella of GFANZ—an organization that controlled over $130 trillion in assets and was headed by Michael Bloomberg, Mark Carney, and other prominent figures.[248] Explain whether the market power and influence of GFANZ and its leadership created an "undue influence" threat to your firm's independence under the AICPA framework, and if not, why not.[249]

14. NZAM included the express commitment to "[e]ngage with actors key to the investment system including … auditors … to ensure that products and services available to investors are consistent with the aim of achieving global net zero emissions by 2050 or sooner."[250] Identify all asset managers or other members or personnel from GFANZ that engaged with your firm regarding whether its audit services or other products were consistent with climate-related goals, and describe the nature and outcome of those engagements. Provide copies of all documents related to any communications between your firm and any asset manager related to net-zero goals or other climate-related goals.

15. Explain all changes to your firm's audit methodologies, internal policies, or procedures that were related to materiality or climate-based disclosures and that were made after your firm committed to the TCFD, the NZFSPA, or the ISSB framework. Provide copies of all documents related to each change.

16. How often, since 2020, has your firm found that climate-related disclosures were necessary for the statements of companies you audited to be "presented fairly, in all material respects," or gave assurances for?[251] What industries were these companies in? Provide copies of all policies or other documents you have issued or published that relate to the materiality, neutrality, and error-avoidance analyses supporting inclusion of such information.

17. Identify any internal policy or practice actions related to your audit services that you took based, in whole or in part, on the 2024 Kotz, Levermann, and Wenz paper in *Nature* entitled "The economic commitment of climate change."[252] For any actions identified in your answer, explain whether those actions have been reassessed or reversed in light of the paper's retraction due to egregious errors.[253]

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[248] https://www.gfanzero.com/press/amount-of-finance-committed-to-achieving-1-5c-now-at-scale-needed-to-deliver-the-transition/; https://www.esgtoday.com/carney-net-zero-aligned-capital-surges-to-130-trillion/.

[249] AICPA Code of Professional Conduct § 1.210.010.18 (Conceptual Framework for Independence), https://pub.aicpa.org/codeofconduct/ethicsresources/et-cod.pdf at 78.

[250] https://web.archive.org/web/20250104092852/https:/www.netzeroassetmanagers.org/commitment/ (emphasis added).

[251] PCAOB Auditing Standards, AS 1000, https://pcaobus.org/oversight/standards/auditing-standards/details/as-1000--general-responsibilities-of-the-auditor-in-conducting-an-audit.

[252] https://www.nature.com/articles/s41586-024-07219-0.

[253] *See* https://www.nature.com/articles/s41586-025-09726-0.

18. Identify any internal policy or practice actions related to your audit services that you took based, in whole or in part, on discarded climate scenarios previously relied on by the Intergovernmental Panel on Climate Change, such as RCP 8.5.[254]

19. The NZFSPA reported in January 2026 that participants would "focus on individually implementing firm-level objectives"[255] as the group was absorbed into UN PRI. Explain what "firm-level objectives" your firm is currently implementing in connection with its climate-related commitments, including commitments to TCFD, ISSB, and NZFSPA, and how those objectives are consistent with your firm's professional duties.

20. Describe all contacts and provide all documents, including documents received or sent, related to your firm's participation, coordination, or communication with UN PRI.

21. List all public statements that your firm's leadership—including senior partners, managing partners, and members of your firm's governing bodies—have made since 2020 regarding ESG or regarding any climate-related disclosures, including disclosures related to climate change, net zero, renewable energy, or emissions.

<u>Questions related to conflict of interest</u>

22. Your firm's climate commitments may create a conflict of interest between your commitments and your duties to your clients. Explain how your firm ensures that the commitments it made to the TCFD, ISSB, and NZFSPA do not cause it to prioritize those commitments over its obligations to audit its clients' statements with objectivity.

23. Your firm currently provides climate-related disclosure assurance services, and initial filings under the EU's CSRD show that companies are "relying overwhelmingly on the Big Four accounting firms"[256] to provide sustainability verification. Explain how your firm's commitments to push for climate-related disclosures—which generate additional work and revenue for your firm at the expense of your clients—do not create a conflict of interest prohibited by professional standards.

24. Explain what policies, procedures, and internal controls, if any, your firm maintained to address each of the following issues:

a. Actual or potential conflicts between your firm's TCFD commitment to support climate-related disclosures "independent of a materiality assessment" and the professional accounting standard of materiality.[257]

b. Actual or potential conflicts between your firm's NZFSPA commitment to "proactively engag[e] with stakeholders and policy-makers on corporate and industry action, as well as public policies, that support a net zero

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[254] https://www.aei.org/articles/rcp8-5-is-officially-dead/.

[255] https://public.unpri.org/news-and-events/nzfspa-reorganises-and-concludes-as-standalone-initiative/13583.article.

[256] https://esgnews.com/early-csrd-filings-reveal-how-mandatory-eu-disclosure-is-reshaping-corporate-sustainability-reporting; https://www.srnav.com/insights/assurance-of-first-wave-csrd-sustainability-statements (claiming that nearly 90% of CSRD engagements were conducted by the Big Four); *cf.* https://www.aefinfo.fr/depeche/725553-csrd-a-quel-point-les-big-five-sont-ils-preponderants-dans-les-audits-de-durabilite-des-entreprises (showing French companies overwhelmingly using the Big Four for CSRD reporting).

[257] https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf at 21.

transition of economic sectors in line with science and with regard to social impacts"[258] and the professional accounting standard of neutrality.

c. Actual or potential conflicts between your firm's commitment to advance the ISSB framework[259]—which applies a materially lower threshold for disclosure than GAAP—and the professional accounting standard of error avoidance.

d. Actual or potential conflicts of interest arising from your firm's offering of climate-based disclosure assurance services while simultaneously pushing for climate-based disclosure mandates that increase demand for those services.

25. Describe any instances when any partner, engagement team member, or quality review personnel raised concerns about the compatibility of your firm's climate commitments (including to TCFD, ISSB, or NZFSPA) with your firm's professional duties, and if so, how those concerns were addressed.

26. If you disclosed any potential or actual conflicts of interest to audit clients related to your climate-related commitments or your other climate-related services (consulting, reporting, assurance), provide copies of all such disclosures. Explain whether clients have provided written consent to such disclosed potential or actual conflicts, and provide all copies of documents showing such consent.

27. Describe your firm's structural separations, if any, between audit functions and climate or sustainability advisory/assurance services, including policies to prevent climate-related advisory objectives from influencing audit planning, risk assessment, or reporting.

28. Identify all revenue your firm has earned from climate-based disclosure assurance services, sustainability reporting services, or ESG-related consulting services for each of the last five fiscal years, and explain how this revenue does not create a conflict of interest when your firm simultaneously advocates for expanded climate-related disclosure requirements.

Questions related to unfair and deceptive acts and practices

29. EY: Your firm advertises that it will "execute high-quality audits with independence [and] objectivity."[260] Your firm also represents that it maintains its independence and objectivity in its professional responsibilities, and continuously monitors its independence.[261] Explain why your firm does not also disclose on those same pages that it has made commitments to the TCFD, ISSB, and NZFSPA that may compromise its independence, and explain how omitting that information is not deceptive to consumers of audit services.

[258] https://public.unpri.org/net-zero-financial-service-providers-alliance/qanda.
[259] https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/; https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/.
[260] https://www.ey.com/en_us/services/audit.
[261] https://www.ey.com/content/dam/ey-unified-site/ey-com/en-us/about-us/documents/ey-global-coc-brochure-2024.pdf.

30. KPMG: Your firm advertises that it will perform audits "within an environment of objectivity, independence, ethics, and integrity."[262] Your firm also publicly commits to clients that it will maintain "independence and objectivity."[263] Explain why your firm does not also disclose on those same pages that it has made commitments to the TCFD, ISSB, and NZFSPA that may compromise its independence, and explain how omitting that information is not deceptive to consumers of audit services.

31. PwC: Your firm advertises on its website that "While we're proud to be a leader in the profession based on our record of audit quality throughout the past few years, we're continuously seeking to improve and take meaningful actions to further enhance our culture of quality, transparency, integrity and independence."[264] Your firm also represents that it operates by "core principles" that include "integrity" and "objectivity," and that it completes assessments "independently."[265] Your firm also emphasizes that "being independent in fact and in appearance is at the heart of objectivity."[266] Explain why your firm does not also disclose on those same pages that it has made commitments to the TCFD, ISSB, and NZFSPA that may compromise its independence, and explain how omitting that information is not deceptive to consumers of audit services.

32. Deloitte: Your firm advertises that "[t]hroughout its history, Deloitte has been an industry leader in maintaining and strengthening [independence and objectivity]."[267] Your firm also advertises your audit and assurance team's "commitment to integrity, independence, and transparency which informs everything Deloitte does to protect the public interest."[268] Your firm represents that independence is "essential" to its work and that it has the professional obligation to maintain independence in fact and appearance.[269] Explain why your firm does not also disclose on those same pages that it has made commitments to the TCFD, ISSB, and NZFSPA that may compromise your independence, and explain how omitting that information is not deceptive to consumers of audit services.

33. Provide copies of all materials, including webpages, handouts, or written or electronic correspondence, that advertise your services and describe or relate in any way to any commitments you have made related to the TCFD, ISSB, and NZFSPA.

34. Provide copies of all materials, including webpages, handouts, or written or electronic correspondence, that advertise your services and describe or relate in any way to how you approach materiality, independence, integrity, or objectivity in your audit services.

35. Explain why the collective climate commitments of the Big Four do not create harm that is not reasonably avoidable, given your collective audit market share and premium pricing, and address any competition-related justifications.

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262 https://kpmg.com/us/en/capabilities-services/audit-services/financial-statement-audit.html.
263 https://kpmg.com/kpmg-us/content/dam/kpmg/pdf/kpmg-us-code-of-conduct.pdf at 24.
264 https://www.pwc.com/us/en/services/audit-assurance/financial-statement-audit.html.
265 https://www.pwc.com/gx/en/about/ethics/pwc-code-of-conduct.pdf at 10, 11.
266 *Id.* at 11.
267 https://www.deloitte.com/global/en/about/story/purpose-values/independence-and-objectivity.html.
268 https://www.deloitte.com/global/en/services/audit-assurance/services/audit.html?icid=bn_audit.
269 https://www.deloitte.com/global/en/about/story/purpose-values/independence.html.

36. Provide copies of all contracts you have had since 2020 with state or municipal entities, and provide all communications related to those contracts.

37. If you did not disclose your TCFD, ISSB, or NZFSPA commitments in the course of negotiating any contracts with state or municipal entities, identify those contracts and explain why you did not make that disclosure for each contract.

38. For any contractual provisions related to compliance with state or federal law, explain whether you are in compliance with each of those provisions in light of your commitments to the TCFD, ISSB, and NZFSPA.

Sincerely,

Mike Hilgers
Nebraska Attorney General

Steve Marshall
Alabama Attorney General

Cori Mills
Acting Alaska Attorney General

Tim Griffin
Arkansas Attorney General

James Uthmeier
Florida Attorney General

Raúl Labrador
Idaho Attorney General

Brenna Bird
Iowa Attorney General

Lynn Fitch
Mississippi Attorney General

Drew Wrigley
North Dakota Attorney General

Andy Wilson
Ohio Attorney General

Alan Wilson
South Carolina Attorney General

Marty Jackley
South Dakota Attorney General

Ken Paxton
Texas Attorney General

John B. McCuskey
West Virginia Attorney General

Genter Drummond
Oklahoma Attorney General

Austin Knudsen
Montana Attorney General