

ESG UPDATE

May 2022

Global ESG Disclosure Regimes

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June 1, 2022



EXECUTIVE SUMMARY

GENERAL

- BlackRock, the world’s largest investment manager, announced that climate-related shareholder proposals it deems too prescriptive are unlikely to receive the asset manager’s support. Citing revised SEC guidance on shareholder proposals that broadened the scope of permissible proposals that address “significant social policy issues” – BlackRock concluded that “many of the proposals coming to a vote are more prescriptive and constraining on management than those on which we voted in the past year”.

EUROPEAN UNION

- The European Financial Reporting Advisory Group (EFRAG) issued a set of ‘Basis for Conclusions’ documents to accompany the April 2022 Exposure Drafts (EDs) for the European Sustainability Reporting Standards. Each non-binding BfC “illustrates the objective and context of the draft standards, the process followed in the preparation of the EDs, the reasons to mandate a disclosure requirement, the references to other standard-setting initiatives or European or other relevant regulations and, where appropriate, the argument supporting the need for granular guidance, the disclosure requirements considered and finally not included in the EDs and how the content of the EDs relate to the future standard setting activity.”
- EFRAG began hosting online Educational Sessions to present the sets of EDs the group issued in late April. The web recordings and accompanying slide decks are available online. The Educational Session for Exposure Draft ESRS E1 (Climate Change) provides the basis of certain proposed disclosure requirements by citing existing or proposed disclosure regimes in Europe, The ISSB and the U.S.

UNITED STATES

- Responding to stakeholder criticism and demand, the United States Securities and Exchange Commission (SEC) extended the public comment period on the proposed Climate Disclosure Rule until June 17.
- GOP members of Congress continued their criticism of the proposed Climate Disclosure Rule. First, Republican members of the Committee on Oversight and Reform asked for all documents and communications from the first day of the Biden Administration to present related to the Rule. They also requested an in-person briefing from SEC staff. Second, Congressional Republicans on the House Committee on Financial Services asked the Committee Chair to “immediately convene a hearing with the full Securities and Exchange

Commission.” The request alleged that the SEC has “taken several actions outside the scope of its authority and jurisdiction ... without giving stakeholders a fair chance to provide input.”

- The SEC issued two new proposed rules focused, respectively, on ESG disclosures and fund transparency. First, the Commission proposed a rule “to promote consistent, comparable, and reliable information for investors concerning funds’ and advisers’ incorporation of environmental, social, and governance (ESG) factors.” Second, the Commission proposed amending the Investment Company Act “Names Rule” to increase requirements and transparency around fund names that include terms such as “growth,” “value”, “ESG” and others. Each proposed rule has a 60-day public comment period from publication in the Federal Register.

UNITED KINGDOM

- The United Kingdom government issued a ‘Call for Evidence’ to support its update of the Green Finance Strategy. The update “will take stock of progress so far and set out how the UK can better ensure the financial services industry is supporting the UK’s energy security, climate and environmental objectives.” The comment deadline is June 22 and the update to the Green Finance Strategy is planned for publication in late 2022.

IFRS-ISSB

- The International Sustainability Standards Board (ISSB) detailed the actions underway to meet its core objective “to establish a comprehensive global baseline of sustainability disclosures” for capital markets. The ISSB noted its “ambition” to have completed by the end of 2022 “the necessary institutional and technical standard-setting work to establish the core elements of the global baseline, subject to feedback received from its ongoing consultation.”
- The G7 Finance Ministers and Central Bank Governors, meeting in Germany, welcomed the ISSB “path to global baseline” and encouraged the organization “to continue its work on sustainability reporting standards beyond climate, such as nature and social issues.” The Sustainability Accounting Standards Board (SASB) Investor Advisory Group issued a statement of support for the two ISSB Exposure Drafts and applauded the inclusion of content from the Task Force on Climate-related Financial Disclosures and SASB in the proposed approaches.