

MEMO# 33871

October 28, 2021

SEC Commissioner Remarks Related to ESG

[33871]

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TO: ICI Members

Accounting/Treasurers Committee

ESG Advisory Group

ESG Task Force SUBJECTS: ESG

Fund Accounting & Financial Reporting RE: SEC Commissioner Remarks Related to ESG

SEC Chair Gensler Statement to FSOC

Last week, SEC Chair Gensler delivered brief remarks before the Financial Stability Oversight Council, highlighting the Commission's work on drafting proposals on public company and fund climate risk-related disclosure.[\[1\]](#) With respect to public company disclosure, he noted that,

[o]ver the past 90 years, the basic bargain has been that investors get to decide what risks they wish to take. Companies that are raising money from the public have an obligation to share full and fair information with investors on a regular basis.

With respect to fund disclosure, he stated that,

a lot of funds market themselves as "sustainable," "green," and the like. For the past 80 years, the SEC has had rules to govern the naming of funds. I think we ought to consider updating those naming rules and enhancing disclosures so that investors can see what data, methodologies, and criteria stand behind these names and claims.

SEC Commissioner Allison Herren Lee Remarks at PRI/LSEG Investor Action on Climate Webinar

Commissioner Lee described the importance of requiring public companies to disclose climate-related information, stating that,

[b]ecause of voluntary work initiated, regulators can now pick up the baton to help achieve what a voluntary system alone cannot - that is, consistent, comparable, and reliable disclosure. Disclosure that works for investors, provides certainty for issuers, and provides fundamentally important transparency around the systemic risk posed by climate change.^[2]

She also focused on climate being a "global challenge that demands a global solution," which is why the Commission

must seek ways to collaborate across jurisdictional boundaries to promote consistency in climate-related disclosure ... [and that an] important and promising international effort is the IFRS Foundation's work on an international sustainability standards board ... [and the] ISSB can hopefully provide an international baseline for sustainability reporting on which individual jurisdictions can build. Such an approach would balance both the need for consistency across borders with the particular needs of individual jurisdictions.

Finally, Commissioner Lee emphasized the need for consistent, comparable, and reliable climate data "to accurately price risk and efficiently allocate capital ... and to more broadly inform the wider spectrum of climate policymaking."

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endnotes

[1] See Chair Gensler, Statement at the Financial Stability Oversight Council (October 21, 2021), available at <https://www.sec.gov/news/public-statement/gensler-statement-financial-stability-oversight-council-102121>

[2] See Commissioner Allison Herren Lee, Remarks at the PRI/LSEG Investor Action on Climate Webinar (October 20, 2021), *available at* <https://www.sec.gov/news/speech/lee-remarks-pri/lseg-investor-action-climate-webinar-102021>