Blogs
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The SEC’s Asset Management Advisory Committee’s ESG Disclosure Recommendations: 5 Things to Know

A few days ago, the SEC's Asset Management Advisory Committee adopted a **set of five recommendations** about ESG disclosures. Three of the recommendations involved issuer disclosure; two of them involved investment product disclosure. The Committee had considered a number of issues – six specific questions are identified in the recommendations, including "What guidance should be given to U.S. securities issuers with respect to their duty to disclose material ESG matters?" – and the ESG Subcommittee, which developed the recommendations, had split its work into five workstreams. The recommendation document acknowledges that, while most of the questions relate to requirements for investment products, "issuer disclosure standards became a prominent topic." Here are five things included in the three recommendations to the SEC regarding issuer disclosures:

1. The materiality standard requirement shouldn't be revised.
2. The Committee acknowledged that ESG is still evolving and determinations of materiality can vary. And that issuer disclosure of material ESG matters can take various forms.
3. To foster more usable disclosure, the SEC should encourage issuers to adopt a framework for disclosure of material ESG matters (or explain why they haven't done so). Such a framework might be developed by a third-party standard-setting organization, or by an industry group.
4. However, no specific frameworks were endorsed by the Committee; just that any that an issuer were to adopt be "commonly accepted."
5. The SEC should accelerate its study of third-party frameworks to assess how they might play a more authoritative role going forward, including the potential future establishment of a standard setting body whose standards could be enforced by the SEC.

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