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So Nice They Did It Twice: SEC Continues to Examine ESG Disclosure Requirements

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On Monday, the SEC asked for public comments on a new, standardized ESG disclosure framework that would require issuers to disclose certain climate and other ESG-related risks. The comment request—which encapsulates public and private company disclosures—includes 15 questions with the goal of providing a "consistent, comparable, and reliable" framework to allow investors to use ESG considerations in their decision-making.

"It's based on what information is important to reasonable investors," said Acting SEC Chair Allison Herren Lee. "It's investors who decide. And on ESG, I think they've been crystal clear that the information is material, and they're not getting what they need."

Just two days later, Lee once again signaled changes to ESG disclosures as we know them: this time in shareholder proxy statements, which explain to investors how their money is voted. Presently, SEC Form N-PX is used by companies to disclose proxy votes and procedures.

Speaking at an Investment Company Institute virtual conference, Lee criticized the current system as both "unwieldy" and "difficult to understand." To combat these issues, she announced her staff is considering rulemaking options that would revisit existing guidance, possibly modify the Form N-PX standard, and entail a new website to track critical data for investors. Lee explained that such changes are necessitated by both the rising demand for ESG considerations and the surge in demand for fund investing amongst U.S. households.

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