

THE ENVIRONMENT AND UTILITIES

The SEC's Climate and ESG Task Force

Environmental, Social, and Governance (ESG)

Environmental, social, and governance (ESG) principals are the pillars of holistic business practices used to assess the impact of a business, particularly by socially conscientious stakeholders. The term ESG, popularized in 2004 and gaining acceleration throughout the years, represents a growing prioritization of environmental stewardship and ethical internal leadership. However, the quantification of these factors is often handled by rating agencies or market research companies, which do not have a consistent rubric for appraisal between them or may have bias in their assessments.

The SEC Enforcement Task Force

The U.S. Securities and Exchange Commission (SEC) announced the creation of a Climate and ESG Task Force in the Division of Enforcement in March of 2021. In the release on the issue, they stated: "Consistent with increasing investor focus and reliance on climate and ESG-related disclosure and investment, the Climate and ESG Task Force will develop initiatives to proactively identify ESG-related misconduct... The task force will also analyze disclosure and compliance issues relating to investment advisers' and funds' ESG strategies." (SEC) The stated goal of protecting investors and addressing ESG-related issues has been made more difficult by the lack of transparency currently required. But, with a new ruling on the horizon, that could soon change.

New Disclosure Rules

In March of 2022, the SEC unveiled plans to standardize climate-related disclosures, as, "Currently, the SEC does not require extensive line-item disclosure of ESG matters." (Bloomberg) This change would require listed companies to disclose information about their emissions, purchased energy, etc. (Person) The original goal was to implement the new rules in October of 2022, but this has been pushed into 2023. With the finalization and implementation of this rule looming, maintaining or creating the internal infrastructure capable of accurately reporting this information has become vital.

Works Consulted

Person, and Zach Warren. "Upcoming SEC Climate Disclosure Rules Bring Urgency to ESG Data Strategy Planning." Reuters, Thomson Reuters, 30 Jan. 2023, <https://www.reuters.com/>.

"Press Release." SEC Emblem, 4 Mar. 2021, <https://www.sec.gov/news/press-release/2021-42>.

"Proposed SEC Climate Disclosure Rule." Bloomberg Law, <https://pro.bloomberglaw.com/brief/proposed-sec-climate-disclosure-rule/>.

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