

SEC To Prioritize Climate and Environmental, Social, and Corporate Governance Matters

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Early this March, the Securities and Exchange Commission's (SEC) Division of Examinations announced its 2021 examination priorities, which include a greater focus on climate-related risks and Environmental, Social, and Corporate Governance (ESG) matters. The annual examination priorities highlight areas which the SEC believes present potential risks to investors.

In her March 15, 2021 speech, SEC Acting Chair Allison Herren Lee described the agency's approach to climate and ESG matters with four goals in mind: (1) informing the markets, (2) protecting shareholder rights, (3) ensuring corporate accountability, and (4) engaging across jurisdictional boundaries.

In addition, the SEC has directed the Division of Corporation Finance to enhance its focus on climate-related disclosures^[1] and issued a statement requesting public comment on climate disclosures.^[2] The public comment period closes on June 13, 2021.

According to SEC Acting Chair Lee, the agency intends to integrate climate and ESG considerations into its broader regulatory framework by examining proxy voting policies and practices to protect shareholder rights.^[3] This focus seeks to ensure that voting aligns with investors' best interests and expectations, as well as company business continuity plans in light of increasing risks associated with climate change.

The Division of Enforcement established its first-ever Climate and ESG Task Force^[4] in an effort to proactively detect climate and ESG-related misconduct, identify any material gaps or misstatements in issuers' disclosure of climate risks, and analyze disclosure and compliance issues related to investors' and funds' ESG strategies.

Finally, the SEC has committed to engage in regulatory cooperation with other financial regulators, including the Treasury Department, International Organization of Securities Commissions (IOSCO), and the IOSCO Financial Stability Board, to address ESG and climate risks with impacts across borders.

[1] <https://www.sec.gov/news/public-statement/lee-statement-review-climate-related-disclosure>

[2] <https://www.sec.gov/news/public-statement/lee-climate-change-disclosures>

[3] <https://www.sec.gov/news/press-release/2021-39>

[4] <https://www.sec.gov/news/press-release/2021-42>

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