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Glaslow

COP26 got off to a slow start on national emission reductions in Glasgow this week with vital but limited agreements. More than 100 countries pledged to reduce methane emissions and track them through a new ***UNEPFI*** *observatory. However, some of the largest emitters, including Australia, China, India, and Russia, did not sign. Nor did they or the US agree to stop unabated coal investment. The US and 24 countries did agree to end most unabated fossil fuel investment in other markets—but not their own. And nearly everyone—131 countries—agreed to tackle deforestation—although a similar 2014* ***UN*** *declaration brought scant follow-up. Some 30 global funds made their own deforestation vow. Still, private-sector groups stepped up with a blizzard of initiatives:*

- **Umbrella policy**. The **Glasgow Financial Alliance for Net Zero** launched by Mark Carney in April now includes 450-plus financial firms in 45 markets holding some US$130 trillion and has built a multi-pronged framework to coordinate transition strategies by all parties in the global financial system. Find details in sweeping plans released Wednesday to expand its call to action issued to G20 governments last month. The menu calls for defining decarbonization pathways for investors, banks, corporates, and emerging markets, including a financing roadmap (**GPW** XXV-37). Financial firms signing on to GFANZ will be held to account by UN Race to Zero criteria overseen by an independent advisory panel and seven NGO partners "to ensure the minimum criteria are met and that appropriate governance structures are in place," said Carney. He will be joined as GFANZ co-chair in January by **TCFD** chair Mike Bloomberg, with former US SEC chair Mary Schapiro, now the TCFD secretariat head, signing on as vice chair.
- **Top Shop**. The **International Sustainability Standards Board** was formally launched Wednesday with a revised **IFRS** constitution, **G20** backing, and headquarters in Frankfurt with key functions in Montreal. In a surprise move, the new board, whose chair will be named shortly, will absorb the **CDP**'s **Climate Disclosure Standards Board** and the **Value Reporting Foundation** created by the merger of **SASB** and the **IIRC**. **See the move as historic, as it consolidates overlapping ESG metrics and sets up the ISSB to be the top global standard setter with instant credibility in the US.** Its metrics got a kickstart from a climate disclosure prototype and protocols drawn up by its **Technical Readiness Working Group** along with a broader disclosure prototype. A key challenge: meshing metrics with the **EU** Corporate Sustainability Reporting Directive (CSRD), which the two initiatives will work together to do, **IFRS** trustee **Michel Madelain** said on an EFRAG side event yesterday. However, the ISSB is not using a double materiality lens like EFRAG, GRI's **Judy Kuszewski** pointed out (**GPW** XXV-37). That could mean ISSB metrics will be less social in scope. The GRI, joined the other key standard setters' offer to help the ISSB last year but did not agree to merge with it; instead it is working with EFRAG to develop the CSRD.
- **Greenwashing1**. Regulators should step up scrutiny of asset manager ESG products, say **IOSCO** recommendations published Tuesday that follow June advice about how the ISSB should address issuer disclosures (**GPW** XXV-37). IOSCO will offer similar guidance this month for ESG data providers. All will be enhanced by the "global baseline" provided by the ISSB, whose formation IOSCO applauded Wednesday.
- **Greenwashing2**. Disclosure standards for investment managers published Monday by the **CFA Institute** aim to provide a global yardstick for ESG products (**GPW** XXV-21). All address fund-level objectives except stewardship activities, which apply to the firm, says a comparison with the May draft. A companion analysis cross-references with the CSRD (**GPW** XXV-39).
- **The UK** sought a new global pace Wednesday with a vow to set up a **Net Zero-aligned Financial Centre** to require transition plans by issuers and investors and "legally binding net zero targets" by financial firms. A **Transition Plan Taskforce** will oversee a process initiated in last month's **Greening Finance** roadmap by expanding mandatory TCFD disclosures using anti-greenwashing standards from GFANZ and others (**GPW** XXV-38). A **FCA** ESG strategy unveiled the same day will require issuers to have "appropriate governance arrangements" for sustainability risk while a companion consultation proposes rules for ESG disclosures by asset managers and owners. Respond by January 7.
- **Taxonomies**. The EU and China's taxonomies should be aligned with the SDGs and backed by independent verification. So says a report identifying common ground published yesterday by the **International Platform on Sustainable Finance** with an overview of global ESG disclosure policies and an annual report

assessing progress on taxonomies by the EU and 18 other countries in the Platform (**GPW** XXIV-42).

- **The US SEC** eased the way for more climate and other ESG AGM resolutions yesterday when the staff rescinded several Trump-era rules that help issuers block them, a move welcomed by chair **Gary Gensler** and criticized by the two **GOP** commissioners (**GPW** XXV-35).
- **A US stewardship** code should be introduced as part of a comprehensive climate policy, counsels a **PRI** report published Wednesday that expands advice from March.
- **Asset managers**. Interim targets set by 43 funds in the **Net Zero Asset Managers** initiative cover 35% of assets, says a report released Monday but denounced as full of loopholes (**GPW** XXV-28). Another 92 funds have joined NZAM, lifting membership to 220 holding US$57 trillion.
- **Investments**. Fossil fuel investment phaseout expectations released Monday by NZAM and other net zero groups hedge policies by recognizing the need for a just transition in countries with "significant economic dependence on thermal coal power or mining."
- **Board accountability**. **ISS** will recommend against directors of high-emitting companies "that have not made appropriate climate-related disclosures" under 2022 voting policies released yesterday.
- **Audit committees** "do not discuss climate on a regular basis…and half do not believe they are well equipped to fulfill their climate regulatory responsibilities." So finds a new survey of 350-plus committee members in 40 countries by the **Deloitte Global Boardroom Program**.
- **Central banks**. Some 83% of global financial regulators have developed supervisory expectations for climate risks or are doing so, although they have "made less headway" on binding supervisory tools. So concludes a report published October 26 by the **Network for Greening the Financial System** to track progress against its 2020 guidance (**GPW** XXV-38).
- **Transition plans**. Corporate climate commitments should address the company's purpose, strategy, capital allocations, risk and incentives, counsels a guide published Monday by **FCLT Global** as a tool for internal decision-making and for engagements by investors.

Briefings

Divest This

The apparent moral clarity of selling continues to lure investors even as issuers' increasing responsiveness to engagement prompts NGO activists to slam funds for surrendering ownership clout:

- **Shell**. US hedge fund **Third Point**'s October 27 plan to split the firm into green and legacy firms represents an activist investing approach to divestment. But even critic **Follow This** opposed it. So did mainstream funds such as **Abrdn**, which agreed with Shell's argument for using oil profits to fund its transition (**GPW** XXV-24).
- **ABP**'s divestment plan announced October 26 highlights a rarely discussed dilemma: such funds are choosing to withdraw from laggard companies rather than asking fellow investors at non-controlled companies to help them vote out directors—as **Engine No. 1** did at **ExxonMobil**. The Dutch fund—a major Shell owner—mounted Engine-style campaigns and instead backed Shell's weaker climate strategy over a more aggressive one pushed by Follow This. "ABP did not use its power as one of the world's largest pension funds to its full extent: they did not once vote for our climate resolutions," the NGO charged. Divestment from oil, argued **Allianz**, "would be unlikely to help decarbonise the economy, instead simply displacing the problem."
- **Is it spreading?** Funds with nearly US$40 trillion "have now committed to some form of fossil fuel divestment." So finds a startling report and database published October 28 by **DivestInvest** and cited as evidence of the movement's success by US climate guru Bill McKibben. But look closer. Nearly a quarter of that US$40 trillion appears to be **BlackRock**, whose narrow divestment policy includes only issuers in its active portfolios with 25% or more of revenue from thermal coal (**GPW** XXIV-03). That only covers smaller firms locked in a dead-end industry—excluding diversified industry heavy-weights like **Glencore**. Similarly, a **PwC** survey posted October 28 found 49% of 325 global funds embracing divestment as an option. However, it sampled mostly active managers, excluding indexers who cannot divest easily.

Influencer

Harvard University's **Lucian Bebchuk** is the most-cited corporate law scholar and has shaped CG debate among practitioners, policymakers, and scholars, finds an empirical essay posted Tuesday by **Kobi Kastiel** of **Tel Aviv University**, who is also a fellow at the corporate governance program Bebchuk leads. [**Note: GPW** editor **Stephen Davis** is associate director of the program.]

Kudos

ICGN awards named at its Wednesday summit include **LGIM** for large asset managers, **Sarasin** for smaller ones, **CPP Investments** for large asset owners and the small owners prize shared by **AP2** and **MainePERS** (**GPW** XXV-15). The prestigious lifetime achievement award went to former **OECD** governance head **Mats Isaksson**, named this week to the **Swedish Corporate Governance Board** (**GPW** XXV-13). **Santiago Chaher** of Argentina's **Cefeida** snagged the Excellence in CG award.

People

David Atkin's appointment Monday to succeed **Fiona Reynolds** as the **PRI**'s CEO continues the group's founding belief that asset owners should sit at the top of the investment chain (**GPW** XXV-36). Atkin, who takes over next month, has been the CEO of three Australian pension funds, although he recently served briefly as deputy CEO of Australian manager **AMP Capital**. The third Australian to lead the PRI after Reynolds and founding director **James Gifford**, Atkin served on the PRI board from 2009 to 2015.

John Roe has been named head BlackRock's Americas stewardship team, succeeding **Ray Cameron**, who took an institutional client job. Former **ISS** analytics chief Roe joined corporate advisory firm **Joele Frank** in 2019.