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Climate Demands

Issues face escalating confrontations on climate:

- **Must-have disclosure**. Some 680 funds with US$130 trillion in assets signed a letter sent Monday to 10,400-plus global companies calling for climate reporting through the **CDP** (**GPW** XXVI-03). That is 100 more investors and 3,200 more firms than CDP's campaign last year—evidence of funds' increasing willingness to join collective engagements.
- **Lobbying** by trade associations is at the core of the **Global Standard on Corporate Climate Lobbying** launched Monday by **Ceres**, the **PRI** and five other investors groups plus **AP7**, **BNP Paribas** and the **Church of England Pensions Board**. Their 14-point standard calls on firms to publicly challenge associations whose lobbying is inconsistent with the Paris agreement, and withdraw funding or suspend or end membership at those unwilling to alter course. Expect stepped-up engagement at companies belonging to associations lobbying against climate legislation on the focus list of **Climate Action 100+**, whose Net-Zero Company Benchmark covers association lobbying. So far this year 46 resolutions have been filed asking for lobbying disclosure, including 21 on climate, said Ceres.
- **First targets**. **Berkshire Hathaway**, **Imperial Oil** and **Valero** are the first North American issuers facing resolutions flagged by Climate Action 100+ this year, with more coming shortly, Ceres said Tuesday. Another 20 proposals have been withdrawn following agreements with companies.
- **Nature**. Issuers and investors should assess risks related to land, ocean, freshwater and atmosphere, suggests a beta disclosure framework published Tuesday by the **Taskforce on Nature-related Financial Disclosures** (**GPW** XXIV-30). The TNFD, backed by global funds and firms and modeled after the **TCFD**, plans a second iteration in June after a consultation, followed by two more versions and a final framework in late 2023.
- **Eurobank shortfalls**. Some 75% of 109 banks supervised by the **European Central Bank** still do not disclose whether climate and environmental risks have a material impact even though about half of those "have indicated to the ECB that they view themselves as exposed to such risks." So finds an assessment published Monday that finds marginal progress from an initial 2020 report on bank adherence to ECB guidance published that year (**GPW** XXV-43). "There is very little justification for this lack of substantial progress," warned vice chair **Frank Elderson**, who said "we stand ready to use the full array of supervisory tools at our disposal"—although the ECB has made similar complaints before without taking action.
- **Lawsuits**. **ExxonMobil** suffered a setback Tuesday when a federal appeals court rejected its request to stop an investigation by Massachusetts and New York into whether the firm lied to investors regarding what it knew about climate change (**GPW** XXIII-45). The company's related claim that Massachusetts was illegally stifling its speech was received with skepticism at a March 9 Massachusetts **Supreme Judicial Court** hearing. Meanwhile, Shell was hit the same day with a "world-first" lawsuit by **ClientEarth** arguing that directors are personally liable under UK law for failing to properly prepare for net zero. That sharply ups the ante from a Dutch suit the law firm won last year requiring Shell to cut emissions by 45% by 2030 (**GPW** XXV-24). ClientEarth, which could be forced to pay Shell's legal fees if it loses, asked for support from investors, who were divided about Shell's transition plans at last year's AGM (**GPW** XXV-21). ExxonMobil and Shell could face further suits as well: both were among nearly 30 firms and funds warned by the Dutch arm of **Friends of the Earth** to publish a credible net zero plan by April 15 or face lawsuits like the Dutch one (**GPW** XXVI-03).
- **The EU Investors Dialogue on Energy** was launched Monday to develop financial products aimed at helping achieve the bloc's goal of climate neutrality by 2050. The EC seeks investors and issuers to join five working groups for the initiative, which will be managed by **PwC**—a plum role bolstering its ESG plan called The New Equation that includes hiring 100,000 people over five years (**GPW** XXV-25). Apply by April 10.
- **Net zero managers**. The PRI launched a **Net Zero Listed Equity Practitioner Group** Tuesday to recruit signatory managers willing to share their challenges developing portfolio net zero tools and frameworks. Apply by April 1.

Briefings

How to React? While responsible investment tools are unlikely to influence Russia, the war may prompt investors "to change their risk weightings and withdraw or withhold investments. If done at scale and collaboratively, this can be powerful." So counsels a Wednesday post by **PRI** responsible investment head **Nathan Fabian**, who also chairs the EC **Platform on Sustainable Finance**. The PRI plans a signatory dialogue on what role investors should play plus followup advice, starting with yesterday's post exploring the national security implications for climate policy.

WOB 40%

The **European Union** legislation requiring 40% board seats for women passed another key hurdle Monday, winning approval from member states on the **European Council** after Germany swung behind it (**GPW** XXVI-08). Only France and Norway now meet 40%, with all EU markets averaging 31%. The final step: agreement by the Council, **European Commission** and **European Parliament**, which has backed the rule several times over the years—although some members want tougher sanctions on boards that fall short. "Finally, we can move forward," said EC president **Ursula von der Leyen**, a long-time supporter.

Heat Map

Expect more high-temperature AGMs this year as investors accelerate ESG demands:

- **US issuers** already have been hit with five majority votes for shareholder ESG resolutions so far this year, including **Costco**, **Disney**, **Jack in the Box** and two at **Apple** out of 529 filed so far—a 20% jump from 2021. So finds the annual Proxy Preview published yesterday by the **Sustainable Investments Institute**, **Proxy Impact** and **As You Sow**. New ideas proposed cover topics such as formal audits for climate change plans, environmental justice assessments and the long-term impact for investors of shifting costs from balance sheets to society.
- **Asset managers** face heightened pressure to back ESG resolutions from a **ShareAction** list published yesterday of key proposals up for a vote this year, mostly in the US and UK, along with voting expectations the UK NGO will use to inform its annual ranking of manager voting (**GPW** XXV-46). It called on managers to "publicly pre-declare voting intention, and publish a rationale for any deviations in voting outcomes," and urged owners "to use this list to challenge and evaluate your asset manager on their voting decisions."

Construction Zone

Regulators advance ESG reporting and oversight standards:

- **EFRAG** released another tranche of draft **Corporate Sustainability Reporting Directive** standards Monday covering working conditions, equal opportunities for employees, corporate governance and diversity policies and business conduct (**GPW** XXVI-09).
- **IOSCO** Monday sketched out ambitious plans for 2022, including: develop independent assurance to complement the **International Sustainability Standards Board**; review nascent voluntary carbon markets; and step up market engagements over its recommendations on greenwashing standards for asset managers and ESG ratings and data providers (**GPW** XXVI-10, XXV-43).
- **Management commentary**. Most investors support the **International Accounting Standards Board**'s proposal last year to incorporate ESG risks in the management commentary included in issuer financial reports but think the project should be paused until the overlap with the ISSB becomes clear (**GPW** XXV-23). So says an overview of feedback published March 11 for an IASB meeting next Tuesday-Thursday, although the staff will hold off recommending a path forward until a second meeting in April.
- **The IASB** will consider "whether and, if so, what more it could do about the accounting for climate-related risks in the financial statement" at its March and April meetings, while working closely with the ISSB. So said IASB chair **Andreas Barckow** this week at a four-part ICGN webinar on global sustainability standards featuring illuminating discussion of global convergence as well as ESG materiality, accounting and auditing. Find session recording here plus a reporting standards resource hub.

Services

Valoris Stewardship Catalysts was launched Monday to help global investors design and implement ESG integration strategies. Founders include well-known governance experts: former **Cartica** ESG head **Mike Lubrano**; global ESG consultant **Mariangeles Camargo**; and **Martin Steindl**, former ESG head at the Dutch development bank **FMO**.

Toolkit

A due diligence questionnaire published by the PRI March 9 offers guidance for asset owners to use to monitor their listed equity managers. An appendix maps questions to the PRI's reporting framework, the **CFA Institute**'s Global ESG Disclosure Standards for Investment Products and the EU Sustainable Finance Disclosure Regulation.

People

Allison Herren Lee said Tuesday she will step down after a successor is confirmed for her US **SEC** post expiring in June, where she initiated the climate disclosure rule due to be proposed Monday (**GPW** XXVI-07). The agency is also waiting for the Biden Administration to replace GOP commissioner **Elad Roisman**, who left in January (**GPW** XXV-02).

Paul Coombes is retiring as chair of the **London Business School Centre for Corporate Governance**, which closed today after 16 years. Academic director **Alex Edmans** will continue his prolific ESG work as an LBS finance professor. Reach Coomes at mail@paulcoombes.com.