

SEC Chairman Gensler's Senate Testimony Reaffirms focus on ESG Disclosures

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Yesterday, SEC Chairman Gensler testified before the Senate Committee on Banking, Housing, and Urban Affairs. His remarks were wide-ranging, and touched on a number of different subjects, but importantly he re-affirmed the SEC's commitment to promulgating new ESG disclosure rules.

Noting that "[t]oday's investors are looking for consistent, comparable, and decision-useful disclosures around climate risk," Chairman Gensler stated that "the SEC should step in when there's this level of demand for information relevant to investors' investment decisions." Specifically, Chairman Gensler said that he had "asked staff to develop proposals for the Commission's consideration on these potential disclosures" and that "[t]hese proposals will be informed by economic analysis and will be put out to public comment."

Although Chairman Gensler did not opine on the nature of the proposed ESG disclosures during yesterday's testimony, in his remarks to the European Parliament Committee on Economic and Monetary Affairs on Sept. 1, 2021, Chairman Gensler stated that when "considering climate-risk disclosures, I've asked staff to learn from other frameworks and standards, including the Task Force on Climate-related Financial Disclosures (TCFD) framework." (<https://www.sec.gov/news/speech/gensler-remarks-european-parliament-090121>) This is the second time in little more than a month that Chairman Gensler has expressly referred to the TCFD framework as an inspiration for the SEC's anticipated ESG disclosure rules (<https://www.sec.gov/news/speech/gensler-pri-2021-07-28>). It seems probable that, to the extent any external standards are used as reference points for the SEC's ESG disclosure rules, it is likely to be the TCFD framework.

{ Companies [] raising money from the public have an obligation to share information with investors on a regular basis.

Those disclosures change[] over time. Over the years, we've added disclosure requirements related to management discussion and analysis, risk factors, executive compensation, and much more.

Today's investors are looking for consistent, comparable, and decision-useful disclosures around climate risk, human capital, and cybersecurity. I've asked staff to develop proposals

for the Commission's consideration on these potential disclosures. These proposals will be informed by economic analysis and will be put out to public comment, so that we can have robust public discussion as to what information matters most to investors in these areas.

Companies and investors alike would benefit from clear rules of the road.... [T]he SEC should step in when there's this level of demand for information relevant to investors' investment decisions.



<https://www.sec.gov/news/testimony/gensler-2021-09-14>

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