



ICGN

International Corporate Governance Network

Mr. Jay Clayton, Chairman
Mr. William Hinman, Director, Division of Corporation Finance
U.S. Securities and Exchange Commission
100 F Street NE.,
Washington, DC 20549-1090

21 March 2019

Via electronic mail (rule-comments@sec.gov)

Re: File Number 4-730, Request for Rulemaking on Environmental, Social and Governance (ESG) Disclosure

Dear Mr. Clayton and Mr. Hinman

Led by investors responsible for assets under management in excess of US\$34 trillion, the International Corporate Governance Network (ICGN) is a leading authority on global standards of corporate governance and investor stewardship. Our membership is based in more than 45 countries and includes companies, advisors and other stakeholders. ICGN's mission is to promote high standards of professionalism in governance for investors and companies alike in their mutual pursuit of long-term value creation contributing to sustainable economies world-wide.

ICGN offers an important investor perspective on corporate governance to help inform public policy development and the encouragement of good practices by capital market participants. Our policy positions are guided by the ICGN Global Governance Principles and Global Stewardship Principles, both of which have been developed in consultation with ICGN Members and as part of a wider peer review.¹ For more information visit www.icgn.org

Today, we write to strongly support the request for rulemaking on environmental, social and governance (ESG) disclosure. ESG reporting should seek to reflect the complexities inherent in a contemporary business and the context of a company's current and future strategic direction. It should support and enhance the information in the financial statements and help the reader to form an assessment of the company's future prospects.

Principle 7.5 of ICGN's Global Governance Principles recommends that corporate reporting should put historical performance into context whilst also portraying the risks, opportunities and prospects for the company in the future. This helps investors and stakeholders understand a company's strategic objectives and its progress towards meeting them. Such disclosures should:

- a) be linked to the company's business model;
- b) be genuinely informative and include forward-looking elements where this will enhance understanding;
- c) describe the company's strategy, and associated risks and opportunities, and explain the board's role in assessing and overseeing strategy and the management of risks and opportunities;
- d) be accessible and appropriately integrated with other information that enables investors to obtain a picture of the whole company;
- e) include environmental, social and governance related information that is material to the company's strategy and performance;
- f) use key performance indicators that are linked to strategy and facilitate comparisons;
- g) use objective metrics where they apply and evidence-based estimates where they do not; and
- h) be strengthened where possible by independent assurance that is carried out annually having regard to established disclosure standards.

In the U.S., the lack of comprehensive, comparable, and reliable data hinders investor efforts to

¹ For access to ICGN's Global Governance Principles and Global Stewardship Principles, along with other policy statements, including ICGN's 2018 Policy Priorities, please visit: www.icgn.org.

effectively incorporate ESG information into investment decisions. We encourage the Securities and Exchange Commission to require all listed companies to report annually on a comprehensive, uniform set of sustainability indicators comprised of both market-wide and industry-specific standards.

The effect of this requirement may also help encourage better understanding of ESG risk and opportunity at corporate board level. Investors expect that boards are able to describe the company's strategy for long term value creation and sustainable growth and also how they are dealing with systemic threats. For example, many ICGN Members now assess companies compared to their peers based on their transparency, strategy and governance around climate change risk.

More generally, on a global scale, there is a lack of quantifiable metrics related to environmental and social issues, for example comparing the measurement of greenhouse gas emissions or how to quantify a good corporate culture. In this regard, we welcome standards such as the Task Force on Climate-related Financial Disclosures (TCFD), published by the Financial Stability Board recommending companies to disclose how climate is reflected in governance, strategy and risk management. We also are supportive of the European Commission's guidance on how to comply with the Non-financial Business Reporting Directive—and we would note that the EC is now reviewing whether it should adopt the TCFD framework within its own regulatory requirements.

In this context ICGN recently collaborated with the Principles of Responsible Investment and other investor bodies to publish a working paper on corporate ESG reporting from an investor perspective.² In this paper we present the investor agenda for corporate ESG reporting, as a tool for the better understanding of risk and opportunity, in a way that is directly linked to investor fiduciary duty and the promotion of sustainable value creation.

Furthermore, Principle 6 of our Global Stewardship Principles calls on investors to promote the long-term performance and sustainable success of companies and to integrate material ESG factors in stewardship activities. This aligns with initiatives around the world today promoting greater adoption of ESG factors as part of fundamental stewardship obligations.

In conclusion, we welcome the opportunity to provide input by participating in any planned roundtable or discussion surrounding the request. We have strong relationships with a vast network of experts in ESG disclosures and would enjoy serving as a resource in developing investor appropriate standards. We hope that our input is helpful in your decision-making, and we look forward to engaging with you in this or other matters where we could provide meaningful input.

Should you wish to discuss our comments further, please contact me or George Dallas, ICGN's Policy Director, by email at george.dallas@icgn.org.

Yours faithfully,



Kerrie Waring,
Chief Executive Officer, ICGN

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² ICGN and Principles for Responsible Investment: "Investor Agenda for corporate ESG reporting":
<https://www.icgn.org/investor-agenda-corporate-esg-reporting>