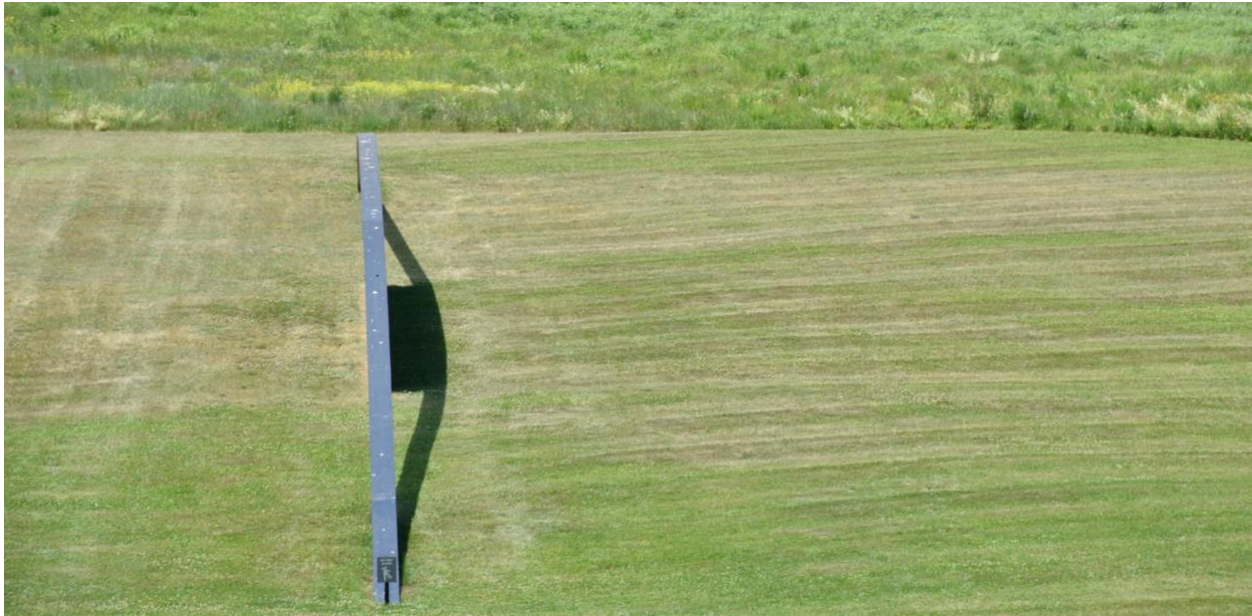




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March 3, 2024



Regulation and Reporting

The SEC announced that it will be considering its long-anticipated issuer climate disclosure rule at an open meeting this Wednesday, March 6th. While the SEC's original draft called for Scope 1, 2, and 3 disclosures, **recent reports have speculated that the final SEC rule will drop Scope 3 (indirect emissions) disclosure requirements** -- which would result in significant differences between the U.S. and EU standards.

In a recent speech, SEC Director of Enforcement Gurbir S. Grewal discussed the importance that ESG plays in investors' trust in the securities industry. According to the Director, investors by significant margins want companies to incorporate ESG considerations into corporate strategy even if it reduces short term profitability. He stated that the SEC is committed to investigating situations where firms: (1) make

misleading statements about their ESG programs, and (2) downplay or omit disclosures about negative ESG-related information.

[The European Union's proposed Corporate Sustainability Due Diligence Directive \(CSDDD\) has faced a setback as member states, including Germany, France, and Italy, failed to support it at the Council level.](#) The CSDDD seeks to require companies to identify, prevent, and stop the negative impact that their activities (as well as those of their subsidiaries and business partners) have on the environment and human rights. The opposition cited concerns about increased bureaucratic burdens and liability risks for businesses. The directive will likely be renegotiated after the EU elections, scheduled for June 2024.

[The European Parliament has recently given approval to a nature restoration law,](#) aimed at promoting ecological rehabilitation, which will now go to the Council for a final vote. The law aims to rehabilitate 20% of the EU's degraded land and sea areas by 2030 and all degraded ecosystems by 2050. The law has reportedly been watered down in light of backlash from right-wing factions and farmers. Still, it received support from several big businesses, including Nestle, Danone, Ikea, and Unilever, who argued that restoring nature is compatible with economic activity and necessary to ensure the viability of European soils.

[Singapore is set to introduce mandatory climate reporting starting in 2025, requiring listed and large non-listed companies to disclose environmental impact and climate-related information.](#) The reporting requirements, to be based on the ISSB standards, will be phased in over time – starting with Scope 1 and 2 emissions, followed by Scope 3. Assurance requirements will also be introduced over time as well. The government has not yet decided whether it will extend these reporting requirements to smaller companies.

Investing

[Findings from an IBM survey reveal that businesses that integrate sustainability into their operations are expected to outperform in terms of revenues, profitability, and talent attraction.](#) The survey of 5000 C-suite executives found that approximately 75% of respondents believe that sustainability drives better business results, can be a revenue enabler, and is central to their business strategy. The survey indicated that one of the most important factors influencing sustainability's impact on business performance is the extent that it is embedded across the organization.

Professor Aaron Yoon, following up on his 2016 paper “Corporate Sustainability: First Evidence on Materiality,” has identified additional sustainability factors that can be linked to value creation: (1) supply chain ESG activities, and (2) high-ability managers. According to Yoon’s research, firms with the fewest supply chain ESG incidents outperformed those firms with the most incidents by nearly 7%. Yoon also found that firms with high ability CEOs and ESG investments outperformed firms with ESG investments but low ability CEOs by more than 6%.

Resources & Membership

If you are interested in learning about ways to safeguard individual and corporate autonomy in the free market, you can read about Ceres, Inc.’s **Freedom to Invest Initiative here**. In March 2023, **Ceres** launched a robust plan to combat various state and federal legislative efforts to restrict the ways in which individuals and corporations choose to invest and operate responsibly. In less than a year, Freedom to Invest has rallied leaders from across the business and investment world to remind policymakers that building profitable businesses and investment portfolios demands an analysis of all material financial factors. You can **follow Freedom to Invest on social media** to learn more about financial risks to restricting investment practices, upcoming educational opportunities, and Freedom to Invest events.

Finpublica’s **membership portal** is live. If you are interested in joining a community of 300 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply. Membership will ensure that you are included in all our events – including members-only salons, discussions, working groups, and networking sessions.

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