

Ceres-Led Investor Group Proposes to Make Corporate Sustainability Disclosure Part of Listing Standards

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Directed by Ceres, the Investor Network on Climate Risk (INCR) has published a consultation [paper](#) (free registration required) with recommendations for integrating sustainability disclosure requirements into listing rules. INCR includes notable investors such as BlackRock and others traditionally associated with being active on corporate social issues, including Boston Common Asset Management and the AFL-CIO.

The group is concerned that the ability to factor sustainability issues into investment decisions is difficult due to what they perceive as inconsistent and insufficient corporate reporting. In addition, INCR members have heard from companies that have been reluctant to report on sustainability that they are not certain what specific information investors need and how it will be used. INCR members have been in discussions with NASDAQ OMX and several other stock exchanges, and the paper is in response to those exchanges urging INCR to develop more clarity and consensus on a unified sustainability disclosure listing standard that could be adopted by all stock exchanges.

The three segments of a listing requirement being proposed for listed issuers globally include:

- Materiality assessment in annual financial filings where management is expected to discuss its approach to determining the company's material environmental, social and governance (ESG) issues, with key components that include: (a) how the company determined its material ESG issues; (b) who was involved in that determination; (c) which ESG issues were determined to be material and why, including a discussion of risks and opportunities related to each issue and the connection to financial performance and business strategy; and finally (d) a periodic review of the assessment and reporting on the frequency of scheduled reviews.
- A Global Reporting Initiative (GRI) content index, with every company providing a hyperlink in its annual financial filings to such an index, which will inform investors about the availability and location of a company's ESG data.
- Corporate ESG disclosure about the following categories of issues, using a "comply or explain" approach: climate change; diversity; employee relations; environmental impact; government relations; human rights; product impact; and safety and supply chain.

The consultation paper notes that about 3,400 companies published a sustainability report as of 2011, and few companies discuss material ESG information in their financial filings. Bloomberg published corporate ESG data for over 5,000 companies in 2011, with more than 120 ESG indicators on display.

The paper contains a number of questions seeking feedback. The initial comment, or consultation, period ends on May 1, 2013. INCR intends to host meetings to discuss the comments with other investors, and Nasdaq has committed to engage in discussions with other stock exchanges as well as the International Organization of Securities Commissions (IOSCO).

If you have any questions regarding the matters covered in this publication, please reach out to any of the lawyers listed below or your usual Davis Polk contact.

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