The Role of ESG in the Business Community

The hottest buzzwords in corporate governance and investing are Environmental, Social, and Governance or ESG.

ESG considerations are making their way into the board room, corporate disclosures, and investor considerations, and since 2016, the Chamber has engaged in ongoing discussions with business leaders, investors, policy makers, and academics to understand how ESG is changing corporate governance and investing.

Why it matters: Regulators are taking notice. The SEC recently asked the public to comment on possible human capital disclosures, while the European Union has solicited comments on their Sustainable Finance Directive. The U.S. Department of Labor also proposed a rule for ERISA plan fiduciaries requiring that investment decisions be based on pecuniary factors. The Chamber commented on the SEC, EU and DOL proposals.

Our take: While the Chamber is supportive of the development of ESG investing, investors must put economic return at the heart of their decision-making process when investing on behalf of others. Regulators are right to update rules in order to ensure that institutions always prioritize economic return over other factors when making decisions on behalf of retail investors. Government policies need to ensure that return and evolving investor needs go hand in hand.

Click here to read my entire article.

Dig deeper:

- The Chamber issued a report in 2017 on the importance of the materiality standard as the critical factor for disclosures.
- The U.S. Chamber Foundation published a report in 2018 on the evolution of ESG and how companies are responding.
- The Chamber released principles on ESG disclosures last year encouraging industries to work with investors on industry specific standards.

–Tom Quaadman, Executive Vice President, Center for Capital Markets Competitivenes