

CADWALADER CLIMATE

Connecting Climate Change and the Law



Governance: ISS Benchmark Survey Results on Climate

October 14, 2022

Governance



By Peter Malyshev
Partner | Financial Services

On October 10, Institutional Shareholder Services (ISS) published the results of its annual [Global Benchmark Policy Survey](#), which included questions on ESG topics. A significant majority of respondents stated that they would consider there to be a material governance failure if a company, that is considered to be a significant contributor to climate change, is not providing adequate disclosure with regard to climate-related oversight, strategy, risks and emissions-reduction targets. 79% of shareholders said board directors should be removed if the businesses fail to report in line with the Recommendations of the Financial Stability Council's Task Force on Climate-Related Financial Disclosures. Furthermore, a majority of investor respondents agreed that company boards of significant greenhouse gas emitters would not be discharging their duties if they fail to take steps to address emissions. ISS received a total of 417 responses to the survey (205 from investors and affiliated organizations and 212 from non-investors).

Taking the Temperature: The survey responses highlight the importance of the quality and thoroughness of issuer disclosure and increasing scrutiny on boards of directors and senior management in addressing climate change risks and opportunities. The survey results also confirm what appears to be a growing consensus for disclosure consistent with TCFD recommendations, as opposed to aligning with other disclosure frameworks. This includes the need for boards of directors and officers to proactively address enterprise-wide climate and social impact matters now, regardless of possible future government agency rulemaking, such as the Securities and Exchange Commission's proposed climate disclosure rule. In one sense, this is simply another aspect of directors' well-settled fiduciary duties. But there are unique challenges in this area given the dynamic nature of climate change and social impact issues and the magnitude of their potential impacts on companies.