

Harvard Law School Forum on Corporate Governance

Towards a Common Language for Sustainable Investing

Posted by Barbara Novick, BlackRock, Inc., on Wednesday, January 22, 2020

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Editor's Note: [Barbara Novick](#) is Vice Chairman and co-founder at BlackRock, Inc. This post is based on a Public Policy Viewpoint issued by BlackRock. Related letters, one sent by BlackRock CEO Mr. Larry Fink to CEOs, and one sent by BlackRock, Inc. to its clients, are available on the Forum [here](#) and [here](#).

Introduction: The need for a common language

Interest in “sustainable Investing”—incorporating various environmental, social, and governance (“ESG”) related concerns or objectives into investment decisions—has soared in the past several years. By one measure, assets under management (AUM) in ESG mutual funds and exchange-traded funds (ETFs) globally has grown from \$453B in 2013 to \$760B in 2018, with estimates of continued significant growth in the coming decade. [1] These figures do not even include the growing private funds investing directly in sustainable infrastructure and other assets.

As investor interest in sustainable investment products has increased, the area has rightly taken on greater focus for policy makers and a broad set of stakeholders as well. Two policy considerations quickly come to the fore. First, a well-regulated sustainable finance ecosystem is needed to support broader sustainability-related policy initiatives at the global level, most pointedly to mobilize the massive amount of capital needed to address climate change. Second, and by no means unrelated, is the concern that robust standards exist to mitigate the risk of “greenwashing”—the risk that either through confusing or outright misleading investment approaches, asset owners cannot make informed choices about the actual sustainability characteristics of their investments.

We welcome policy makers’ focus on these issues and efforts to advance sustainable finance more broadly. As a fiduciary, BlackRock is committed to helping our clients navigate the impacts of climate change and other material ESG factors and build more resilient portfolios, including striving for more stable and higher long-term returns. Our investment conviction is that sustainability-integrated portfolios—composed of more sustainable building-block products—can provide better risk-adjusted returns to investors. With the impact of sustainability on investment returns increasing, we believe that sustainable investment will be a critical foundation for client portfolios going forward.

As a result, we have redoubled our efforts to put sustainability at the core of the way BlackRock manages risk, constructs portfolios, designs products, and engages with companies. ([Read more here](#)). We believe that sustainability should be our new standard for investing.

A key ingredient in this effort will be achieving a common understanding—across asset owners, asset managers, other market participants and regulators—of what is expected from financial products that offer exposure to sustainable investment themes. This requires a strong system of classification—in regulatory parlance a “taxonomy”—that enables asset owners to differentiate products and provides clear, transparent data regarding product attributes. At the same time, any taxonomy must avoid the risk that excessive granularity and prescriptiveness could ultimately restrict innovation and asset owner choice.

Achieving this goal will require overcoming the challenge that “sustainable investing” means many different things to different stakeholders. There is no consensus across asset owners, asset managers, industry experts, policy makers, media, academics, and NGOs around definitions for similar concepts.

Summary of recommendations

Bring clarity to the sustainable investing product landscape

- Promote converged standards on portfolio level disclosure of ESG characteristics
- Agree on naming conventions for high-level categories of investment funds. BlackRock utilizes a three-part framework to categorize sustainable products, which is consistent with the overall recommendations of the International Institute of Finance categorizations (IIF):
 - Screened investments
 - ESG investments
 - Impact investments
- Agree on product naming conventions that balance the need for rigor in evidencing specific claims (e.g., carbon neutral) while allowing innovation of new products

Bring clarity and simplicity to corporate-issuer disclosure

- Move to consolidate and align corporate ESG reporting frameworks
- Address framework proliferation
- Encourage innovative research and technology to improve ESG disclosure

Support an ESG taxonomy for economic activities that is objective and facilitates asset owner choice

- Encourage objective metrics that will allow asset owners to compare sustainability risks and benefits across assets
- Avoid prescriptive or binary definitions of sustainability that could limit asset owner choice
- Work towards a richer classification that will encourage transition strategies, e.g. from higher to lower carbon activities, and allow asset owners to ensure their money is invested in line with their objectives across the sustainability spectrum

Three levels at which sustainable terminology must be clear:

- Investment product naming conventions
- Corporate issuer disclosure
- Economic activities

A further complexity is that these sustainability determinations must be made at several different levels:

- **Investment product naming conventions.** This aspect of taxonomy focuses on helping to bring clarity to common investment product names. For example, what is meant by “impact”, “ESG” and similar terms, and thematically, what is meant by labels such as “low carbon”, “ethical”, “socially responsible” and the like when applied to investment products? Are there guidelines or useful metrics that can allow asset owners to better understand these products and strategies?

- **Corporate issuer disclosure.** This aspect of taxonomy focuses on the activities of corporate issuers, and the data they disclose on material ESG issues. Challenges include: rationalizing reporting initiatives, harmonizing reporting standards, and the convergence of frameworks, data sets and scoring methodologies to allow more consistent comparisons of the sustainability of investments—at a corporate entity level—globally.
- **Taxonomy of economic activity.** This aspect of taxonomy defines what is classified as “sustainable economic activity”. It relates not to entities or investment products but rather defines specific underlying activities that can affect sustainability objectives. For example, does the activity substantially contribute to a sustainable objective such as climate change mitigation or the transition to a low carbon economy? Does the activity help to advance the Sustainable Development Goals? These are most developed in the “E”, or more specifically in the climate space, which is the focus of the European Union’s Sustainable Finance Taxonomy proposal.

In this post, we will **first** ground the discussion by reviewing the global regulatory efforts to develop and implement more standardized taxonomy at each of these three levels. **Second**, we will analyze the challenges for policy in the current environment, including the inconsistency of ESG data sources which, while improving, needs to be addressed by convergence in the sustainable corporate reporting frameworks. This analysis finds that despite challenges, there is an opportunity to converge around standards that focus on material impacts on long-term sustainability and that are tailored to sector-specific contexts, which will reduce confusion and improve operability of the standards.

Asset managers and asset owners

In this post, we make the case that policy measures around sustainable finance should seek to attract capital into sustainable investment by underpinning a wide range of potential investment options to cater to a wide variety of different investor needs, rather than by seeking to agree definitive standards of ‘sustainability’ that could restrict choice. BlackRock believes that an investor-centric framework will be the best way to mobilize capital. That said, it is useful to be precise about what we mean by ‘investor’:

Asset owners can manage their money directly and/or outsource this function to asset managers. Asset owners include individuals, pension funds, insurers, sovereign wealth funds, foundations, endowments and family offices. Asset owners determine how they allocate their assets, in line with any broad sustainability preferences or specific objectives where the asset owner has them.

Asset managers act as agent on behalf of their clients, the asset owner. Asset managers are required to act as a fiduciary and invest according to the investment guidelines set out in the legal documentation of the mandate or the product selected by the asset owner.

Throughout this analysis, we develop the thesis that achieving the goal of making sustainability the new standard for investing will be best facilitated by an approach that encourages a common framework, transparent data, and objective metrics to empower informed asset owner choice.

That is why BlackRock has committed to making ESG, carbon and business involvement data available to our clients for all ETFs, mutual funds and open-ended funds in 2020. We believe asset owners should be able to view this information for all products—not just sustainable ones. However, in order for BlackRock and other asset managers to be as transparent as possible, we need to have alignment across corporate disclosure frameworks. We call for this alignment as part of our final section on recommended policy approaches for each level of, which will help to build the sustainable finance ecosystem.

Sustainable as the new standard

Providing clear, transparent information based on objective metrics will empower informed asset owner choice and be a catalyst to achieving this objective.

Overview of regional policy approaches

Regulation has been a key driver of the growth of sustainable investment to date. There have been varied and diverse approaches to product labelling, corporate disclosure, and taxonomy adopted by industry, regulators and a wide range of non-governmental organizations (NGOs) around the world.

Globally, a range of international organizations have weighed into the debate around promoting sustainable finance. Some, like the Financial Stability Board's (FSB) Task Force on Climate Related Financial Disclosures (TCFD) have focused on trying to set out global standards for corporate disclosure. Others, such as the International Organization of Securities Commissions' (IOSCO) Green Finance Network have been set up to help public authorities around the world share best practices and identify common principles to address emerging supervisory questions related to the growth of sustainable finance.

A number of central banks have begun looking more closely at climate risk as a theme to apply to their own balance sheets and reserve management practices, as well as trying to build a more comprehensive understanding of what this may mean for their role as prudential authorities. In joining with other regulators to form the Network for Greening the Financial System (NGFS), these authorities are looking at ways to more broadly promote sustainable finance within their organizational remits.

In addition to these international initiatives, several regions and countries are looking closely at building policy frameworks around sustainable investment.

Europe

The European Union and many of its Member States are perhaps furthest along in the development of regulations for sustainable investment. Early regulatory initiatives that focused on segments of regulated asset owners—for example, the UK Department of Work and Pensions (DWP) ESG requirements for pension fund trustees, or the French Art. 173 of the Energy Transitions Law that asked many asset owners to develop sustainability and specifically de-carbonisation policies—have been notable drivers of the growth of interest and demand for sustainable investment solutions to date.

Exhibit 1: New sustainable finance rules from the EU Action Plan



Through its Action Plan for sustainable finance, the EU has set out to build on this by proposing an ambitious and comprehensive agenda to incorporate concepts of sustainability into the existing regulatory approach for financial markets. The combined elements of the proposed suite of measures look at sustainability through the lens of conduct, transparency, investor protection, and even from a prudential perspective. Four key legislative and regulatory proposals (Exhibit 1) will fundamentally underpin a regulatory approach for sustainable investment products: covering everything from mandatory ESG integration into investment and risk management, product segmentation and mandatory sustainability reporting, defining a taxonomy around what it means to be 'sustainable' at the level of economic activities, to making the product marketing and intermediation process more responsive to clients' sustainability preferences.

We are supportive of the fundamental goal of the EU Action Plan to develop a more common language around sustainable investment. While the current taxonomy regulation is focused on climate-related factors, success in achieving a workable taxonomy can and should be a basis for future coverage of not only more "E" issues but also "S" and "G" factors.

It is, however, important that the pieces of the Action Plan be implemented in a way that is capable of being operationalized by real economy companies and by financial services firms. For example, while we see clear merit in the proposed taxonomy for promoting uniformity around project finance or dedicated-use-of-proceeds instruments like green bonds, attempts to apply the taxonomy to more broad investment exposures at a company-level will present additional challenges—not just from a data-availability perspective, but the risk that the envisioned taxonomy disclosure framework will not always reflect the way in which sustainability or ESG is incorporated into a particular investment strategy or product.

In implementing the product-related rules, care must be taken to avoid a regime that leads to a “one size fits all” approach to a definition of “sustainable” which could disincentivize the development of a diverse array of product offerings, aligned to the wide spectrum of asset owner sustainability preferences.

In addition, the utility of any approach will ultimately depend on clear, publicly available and legally reliable corporate issuer disclosure. This is why we are focused on public reporting frameworks. Establishing strong, durable issuer-level reporting frameworks will be a key ingredient for the success of sustainable taxonomies.

Asia Pacific

In Asia Pacific, regulators and stock exchanges are increasingly focused on how to achieve a common approach to sustainable finance terminology. A common theme has been a sharp regulatory focus on issuer disclosure, with the key jurisdictions either imposing or promoting voluntary compliance with ESG reporting frameworks.

China was the pioneer and leads the region on this front: in August 2016, China issued the ‘Guidelines for Establishing the Green Financial System’, a comprehensive policy framework to aggressively promote green finance, including the need for increased ESG transparency. Since then, the China Securities Regulatory Commission (CSRC) has introduced new requirements that, by 2020, will mandate all listed companies and bond issuers to disclose ESG risks using China’s own sustainability reporting standards. At the same time, China is placing clear policy emphasis to move towards harmonization of green standards both domestically and internationally. In November 2017, the China Green Finance Committee (CGFC) and the European Investment Bank jointly published a white paper [2] which mapped and compared green bond standards, paving the way for convergence in taxonomy. In December 2017, China and the UK jointly launched a 3-year initiative for a group of financial institutions to pilot TCFD reporting. [3]

In April 2019, the Hong Kong Securities and Futures Commission (SFC) issued enhanced product-level disclosure requirements for any retail fund with a green/ESG focus evident in its name, and in May 2019 the Hong Kong Stock Exchange conducted a consultation on proposed higher issuer reporting standards, including certain mandatory ESG disclosures. These followed the SFC publication of a ‘Strategic Framework for Green Finance’ in 2018, under which a key priority is to increase disclosure on climate risks.

The Singapore Exchange has implemented a comply-or-explain model for sustainability reporting, covering the primary components: material ESG factors, policies, practices and performance, targets, sustainability reporting framework, and board statements. The Monetary Authority of Singapore will publish a consultation paper in 2020 on a new set of Environmental Risk Management guidelines to set standards on governance, risk management and disclosure across the banking, insurance and asset management sectors.

Japan’s approach has largely been promoting voluntary adoption of disclosure best practices, rather than regulating. The Ministry of Economy, Trade and Industry (METI) released TCFD guidance in December 2018 to assist issuers in making voluntary disclosures in line with TCFD requirements. In May 2019, the METI, Financial Services Agency, and Ministry of Environment arranged an industry-led consortium to further promote quality TCFD reporting.

In Australia, the Australian Securities and Investments Commission (ASIC) in 2019 updated its regulatory guidance to formally include climate risk as one that issuers should consider disclosing. Both ASIC and the Australia Exchange encourage companies with material climate exposure to voluntarily report under the TCFD framework.

The Americas

In Canada, the Canadian Securities Administrators (CSA) issued Staff Notice 51-358 on Reporting of Climate Change-Related Risks. [4] The CSA mentioned growing interest by Canadian issuers and investors in voluntary disclosure regimes, including the TCFD and Sustainability Accounting Standards Board (SASB) frameworks, and described the Staff Notice as intended to help issuers identify and improve disclosure of climate-related risks.

In Mexico, the pension fund regulator (CONSAR) recently published changes to the investment process of the Afores (pension funds) that require the incorporation of ESG considerations by January 3, 2022.

The United States has stood somewhat apart from other jurisdictions, taking a less prescriptive approach to ESG disclosure, opting instead for a principles-based approach centered on the Securities and Exchange Commission (SEC)'s traditional materiality standard. SEC Chairman Clayton has stated that "...companies should focus on providing material disclosure that a reasonable investor needs to make informed investment and voting decisions based on each company's particular facts and circumstances..." [5]

The U.S. Department of Labor (DOL), in its April 2018 Field Assistance Bulletin guiding ERISA-governed plan fiduciaries in investment decisions, was perhaps even more explicit in stating the priority of financial materiality concerns over ESG factors stating: "[T]he Department reiterated its longstanding view that, because every investment necessarily causes a plan to forego other investment opportunities, plan fiduciaries are not permitted to sacrifice investment return or take on additional investment risk as a means of using plan investments to promote collateral social policy goals."

Legislatively, the U.S. House of Representatives has recently begun consideration of several measures that would require more detailed disclosure of climate related issues. The Climate Risk Disclosure Act of 2019 (H.R. 3623), was introduced by Rep. Sean Casten (D-IL) and 23 Democratic co-sponsors in July 2019. The bill would require the SEC, together with other agencies, to establish metrics and guidance for climate-related risk disclosure, which should be industry-specific, and will require companies to make both quantitative and qualitative disclosures. The legislation would impose on public companies a duty to disclose these financial and business risks associated with climate change in their annual public filings.

In the U.S. Senate, Sen. Brian Schatz (D-HI) along with 9 other Democratic senators introduced the Climate Change Financial Risk Act in November 2019 (S. 2903). The bill would require the Board of Governors of the Federal Reserve System to conduct biennial stress tests on large financial institutions to determine if they can withstand climate-related risks. The legislation would require the Fed to establish an advisory group of climate scientists and climate economists to help develop climate change scenarios for the financial stress tests.

It is unlikely that either legislation in its present form would pass in the current Congress. Nevertheless, the bills signal increased focus on this topic—discussions on climate related disclosure and risks continue to generate proposals and new measures may be introduced in the coming months.

While the U.S. approach overall clearly eschews for the time being the more prescriptive measures being considered in other jurisdictions, the statements of the administrative agencies do not imply the degree of direct conflict with other approaches that may appear at first blush. Indeed, the DOL's guidance goes on to note that "*To the extent ESG factors, in fact, involve business risks or opportunities that are properly treated as economic considerations themselves in evaluating alternative investments, the weight given to those factors should also be appropriate to the relative level of risk and return involved compared to other relevant economic factors.*" [6]

The SEC and DOL positions are not far from the basic TCFD framework emphasis on materiality, while clearly declining to impose the greater granularity and uniformity of, for example, the European proposed taxonomy. In this sense, these positions are also in harmony with IOSCO's statement on ESG disclosures which stated issuers should provide "full, accurate, and timely disclosure of financial results, risks, and other information which is material to investors' decisions." [7]

Our View

While much of this regulatory policy focus is already contributing to an upswing in investor interest in sustainable investing, there is a risk that differing approaches can create more confusion. A true single set of global rules or standards are unlikely to emerge in the near-term. Nevertheless, we think the best way to achieve a cohesive set of standards is

through clearly articulating the challenges and identifying where policy measures can play a role in fostering alignment around product naming conventions, corporate issuer level disclosure, and the underlying economic activity.

The role of investment stewardship


In active investment approaches, insights from ESG integration may lead to decisions to invest in or decline to invest in, or indeed to dispose of, certain assets where a manager exercising its fiduciary duty concludes such action is most consistent with the investment preferences of its client, the asset owner. However, this may not be the case in market-weighted index-based investment strategies.

We view “investment stewardship”—which cuts across both active and index investment strategies—as central to our fiduciary duty, which is to protect and enhance the value of the assets that asset owners have entrusted us to manage on their behalf. We do this through constructive and continuing engagement with investee companies and proxy voting. Our approach to stewardship as a long-term investor is to identify business-relevant, material ESG issues and then to engage with companies to encourage governance and business practices that address the issues and contribute to sustainable long-term financial performance.

Within this context, we focus on board composition, effectiveness and accountability as a top priority. In our experience, most governance and sustainability issues require board leadership, oversight and accountability.

We are also intensifying our focus and engagement with companies on sustainability-related risks. BlackRock believes that collaboration between investors, companies, regulators, and others is essential to improving the management of sustainability questions. We are a founding member of TCFD, and a signatory to the UN’s Principles for Responsible Investment. BlackRock has been a member of the five sponsoring organizations of Climate Action 100+ and we have now joined Climate Action 100+, a group of investors that engages with companies to improve climate disclosure and align business strategy with the goals of the Paris Agreement.

Where we feel companies and boards are not producing effective sustainability disclosures or implementing frameworks for managing these issues, we will hold board members accountable. Given the groundwork we have already laid engaging on disclosure, and the growing investment risks surrounding sustainability, we will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.

As we lay out in [The Investment Stewardship Ecosystem](#), proxy voting is key to sound stewardship. Proxy advisors provide research and recommendations on proxy votes that may be taken into account by asset owners, who vote their shares on their own behalf, or asset managers, who as fiduciaries for their asset owner clients, may in some cases (though not all) be delegated the responsibility to vote. BlackRock views informed voting as central to our fiduciary duty. We therefore perform independent research and analysis, including company engagement as necessary, carefully arriving at proxy vote decisions that are consistent with our voting guidelines and that we believe are in the best long-term economic interests of our clients.

Whether carried out by asset owners or by asset managers so delegated by their clients, stewardship involves more than voting. As explained above, it also includes engaging with management and boards of investee companies to encourage the governance and business practices, including managing material environmental and social factors, that drive the long-term financial value of the company.

Defining the policy challenge

We support policy makers' goal of attracting more capital to sustainable investments. An approach, which encourages the widest possible range of asset owners to invest sustainably, is the best way to achieve that aim. Such an approach would also support the development of a variety of investment products that can help deliver sustainable solutions to asset owners with a diverse set of needs and considerations.

We see three critical areas that any approach would need to address:

1. **Investment Product**—How do asset managers and asset owners in their products move towards a more common understanding of what constitutes a sustainable investment? How should product portfolios be measured against this definition to underpin investor confidence?
2. **Companies**—How can asset owners receive clear, comparable and relevant sustainability-related disclosures by companies? At the same time, how can policy help to streamline the number of different corporate disclosure frameworks?
3. **Economic Activities**—How can asset owners be objectively informed about the sustainability impacts of different activities—whether relating to energy and climate, social objectives, or other sustainability considerations—empowering them with the choice to invest in activities most aligned to their investment horizons and preferences?

We address each of these in turn.

1. Bringing clarity to the sustainable investment product landscape

We strongly believe that policy can and should allow—and even encourage—a diversity of sustainable products, providing a range of different approaches to sustainable investment to suit an array of asset owner needs and motivations. We believe this is best accomplished by having a common lexicon of sustainable investment approaches, underpinned by transparent data at the product or portfolio level. This enables both regulators and asset owners to best understand and assess the connection between the product label and what is in the product.

This focus on clear, objective data can help asset owners better understand a range of different sustainable investment strategies and help asset managers describe their approaches and measure performance. The focus moves from subjective determinations of what is and isn't sustainable, with the attendant risks of greenwashing, and, instead, provides asset owners the necessary data for them to determine the product's alignment with their goals relative to other investment options.

The purpose of any rules for standardizing product naming should ultimately be to enable asset owners to make fully informed decisions about whether the investment approach, and the material long-term risks and opportunities of specific assets or portfolios, align with their objectives.

In the final section, we recommend a set of product naming convention approaches that we use at BlackRock. We believe standardization of this language would improve asset owner understanding and confidence in sustainable investing products.

2. Promoting aligned and enhanced corporate issuer disclosures

We see a role for policy makers in promoting better ESG disclosure practices by corporate issuers, not least because better aligned disclosures will drive better aligned data.

Achieving more high-quality and comparable ESG data will be facilitated by aligning around common disclosure frameworks. Such an alignment will, over time, narrow some of the differences among scoring systems as they incorporate more standardized terminology and data sets, and, in turn, their ratings can become more comparable.

What is the state of development of these frameworks now? Currently, there are a number of overlapping standards and frameworks guiding companies to disclose slightly different information, including the SASB, TCFD, CDSB (Climate Disclosure Standards Board), GRI (Global Reporting Initiative), IIRC (International Integrated Reporting Council), and more. Each has particular strengths and discussion increasingly focuses on how this multiplicity of frameworks could be converged. See more details in "Frameworks, ratings, and surveys—how they fit together."

While there is disagreement on whether a full institutional “merger” of different reporting frameworks is practical or desirable, we believe that efforts towards greater alignment, and focusing of each framework on their respective strengths, are promising ones. An effective convergence could be achieved by taking the best parts of each framework and aligning and possibly enhancing them. In this regard, an encouraging precedent may exist in what [Focusing Capital on the Long Term \(FCLTGlobal\)](#), an organization that encourages long-term behaviors in business and investment decision-making, did with their stewardship code proposal. FCLT describes its Model Stewardship Code for Long-Term Behavior as “the highest common denominator of high-quality codes around the world”. [8]

Indeed, ongoing efforts in sustainable disclosure framework alignment are beginning to bear fruit. For example, based on a 2019 report by the [Better Alignment Project](#), 70% of the TCFD’s 50 metrics show no substantive difference with the recommended climate metrics of SASB, GRI, CDP, and CDSB. This suggests there is significant opportunity for the market to coalesce around the cores of these frameworks.

Frameworks, ratings and surveys—how they fit together

Sustainability frameworks have been developed to help organizations understand and manage how ESG issues materially affect the performance of investment portfolios. Frameworks can span a spectrum from focus on single issues to comprehensively addressing the broad swath of ESG concerns. Climate is one of the most advanced issues to be addressed in dedicated frameworks, most notably the TCFD, CDSB and Carbon Disclosure Project (CDP). Other frameworks take more of a holistic approach, covering the broad range of sustainability issues, such as the IIRC or the GRI standards, which have as a main aim to enhance global comparability. Some frameworks attempt to refine their standards and metrics to be more sector-specific, in the belief that this will provide the most material and relevant information to investors. SASB adopts this approach.

From these frameworks, investors can focus on metrics that will drive ESG risk or opportunity. Given the complexity and incomplete process of alignment, however, rating systems can help to provide a degree of comparability, either for absolute ESG risk, or “best in class” or relative standing within a given sector. Sustainalytics, MSCI, Refinitiv and other providers have developed ESG ratings systems to help investors navigate this data. While the scores may be comprised of different elements, and thus vary themselves among rating organizations even on a single company, the analysis they offer is helpful to synthesize implications of a large set of data.

Producing company ESG ratings often relies on gathering information from issues through surveys (in addition to incorporating publicly available information). Naturally, issuers need to devote considerable time and expense to providing responsive data for these surveys, checking for accuracy and follow-up. In many cases, different sets of data, perhaps driven by the choice of different frameworks as a reference point for the scoring approach, result in companies needing to complete multiple surveys with different data sets, and a corresponding increase in burden and expense. Some companies have cited survey fatigue as they are reluctant to participate in numerous surveys.

Aligning the reporting frameworks around common and comparable data sets can help to rationalize the scoring approaches for ESG ratings and, in turn, narrow the multiplicity of different survey requests and data provision required of companies.

Our View

While no framework is perfect, BlackRock believes [SASB](#) provides a clear set of standards for reporting sustainability information across a wide range of issues, from labor practices to data privacy to business ethics. For evaluating and reporting climate-related risks, as well as the related governance issues that are essential to managing them, the TCFD provides a valuable framework. (An example of the SASB approach is shown in Exhibit 2.)

In May 2019, SASB and the CDSB issued an Implementation Guide for TCFD [9], designed to help companies address the demand for more data about their exposure to climate-related financial risks and opportunities. Significantly, the two issuing organizations said using the Guide can “provide more effective climate-related disclosures that are *comparable within industries* and have *clear links to material financial impacts*.” (Emphasis added.) We agree that it is exactly this tailoring to specific sectors, together with the focus on financial materiality, that make the TCFD framework and SASB’s standards useful to investors.

We recognize that reporting to these standards requires significant time, analysis, and effort. BlackRock itself is not yet where we want to be, and we are continuously working to improve our own reporting. Our SASB-aligned disclosure is available on our website [10], and we will be releasing a TCFD-aligned disclosure by the end of 2020.

BlackRock has been engaging with companies for several years on their progress towards TCFD-and SASB-aligned reporting. This year, **we are asking the companies that we invest in on behalf of our clients to:** (1) publish a disclosure in line with industry-specific SASB guidelines by year-end, or disclose a similar set of data in a way that is relevant to its particular business; and (2) disclose climate-related risks in line with the TCFD’s recommendations. This should include their plan for operating under a scenario where the Paris Agreement’s goal of limiting global warming to less than two degrees is fully realized, as expressed by the TCFD guidelines.

We will use these disclosures and our stewardship engagements to ascertain whether companies are properly managing and overseeing these risks within their business and adequately planning for the future. In the absence of good disclosures, investors, including BlackRock, will increasingly conclude that companies are not adequately managing risk.

Exhibit 2: SASB Approach at work in ESG metrics

Excerpt from OilCo Annual Report

Metrics and Targets

In measuring and managing climate-related risks and opportunities, we use the metrics and targets described earlier in this report. Earlier sections also discuss specific targets and our progress toward them. Three sets of metrics are most relevant to climate-related risks and opportunities: Greenhouse Gas Emissions, Water Management, and Reserves Valuation & Capital Expenditures.

Greenhouse gas emissions: Gross global Scope 1 emissions

The Company implemented a GHG reduction goal of 10% relative to a January 1, 2014 baseline by 2030. As of the time of this filing, we are on track to meet that goal.

For additional data related to climate risk, including our Scope 2 and Scope 3 greenhouse gas emissions, please see our CDP Questionnaire.

Metric	Year Ended December 31,		
	2016	2017	2018
Gross global Scope 1 emissions (in thousands of metric tons CO ₂ -e) ^{1 2}	7,762	7,690	7,640
Percentage from methane	6%	4%	3%
Percentage covered under a regulatory program	3%	3%	5%

Greenhouse gas emissions: Gross global scope 1 emissions by operational source ³

The majority of the Company's Scope 1 emissions relate to hydrocarbon combustion to generate power and heat. The majority of the Company's methane emissions result from process emissions, venting, and fugitive emissions. The company has achieved significant reductions in its fugitive emissions as a result of the roll-out of its methane emission goal in 2014.

[continued on next page]

LEARNING FROM OILCO'S DISCLOSURES

Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

Are the company's GHG emissions calculated in line with the GHG Protocol methodology to allow for aggregation and comparability across organizations and jurisdictions?

SASB STANDARD: The methodology of the GHG Protocol is incorporated by reference in the SASB technical protocols for GHG emissions metrics, such as those reported by OilCo (e.g., EM-EP-110a.1). ¹

CDSB FRAMEWORK: GHG emissions from operations, entities, and activities within the financial reporting boundary of the organization are treated as material under CDSB REQ-04 (Sources of Environmental Impacts) and therefore it is expected that the organization report, in CO₂-equivalent metric tons, absolute and normalized Scope 1 and 2 GHG emissions, calculated by reference to a recognized GHG emissions measurement methodology. ^{1 3}

SASB STANDARD: By using SASB metrics EM-EP-110a.1, ² EM-EP-110a.2, ³ and EM-EP-110a.3 (see Strategy, above), OilCo enables investors to better understand the effectiveness of the company's mitigation strategies to reduce its direct (Scope 1) emissions.

Has the industry established any generally accepted GHG efficiency ratios that may warrant disclosure?

SASB STANDARD: SASB standards are industry-specific, establishing performance metrics (including those related to greenhouse gas emissions) that are most appropriate to the industry context. For example, where OilCo discloses a breakdown of Scope 1 emissions by operational source (EM-EP-110a.2) ³ an electric utility following its industry standard would likely report emissions associated with power deliveries (IF-EU-110a.2).

As noted in this example from the TCFD Implementation Guide's discussion of Core Metrics and Targets, Greenhouse Gas emissions are broken down into Scope 1 emissions, so investors can better understand the effectiveness of the company's mitigation efforts. The Guide also references that SASB's standards are industry specific, even those relating to greenhouse gas emissions. So, where an oil company discloses a breakdown of Scope 1 emissions by operational source (EM-EP-110a.2), an electric utility following its industry standard would likely report emissions associated with power deliveries (IF-EU-110a.2).

3. Taxonomy of economic activities

A consistent taxonomy of underlying activity is important to help the investment ecosystem understand more clearly what is meant by "sustainable", most directly as used at the levels of core economic activity where policy makers would want to stimulate or direct investment.

As noted in our overview in the previous section of taxonomy regulatory proposals, there are many important roles for policy and regulation to play. These may even include a role for incentives for asset owners to increase their allocations to sustainable investments. This could be done by mechanisms such as capital requirements reflecting the perceived sustainability risks or benefits of certain investments, tax incentives, or other measures—but is unlikely to be possible without a clear approach for the specific types of investments policymakers are seeking to stimulate.

As important, a taxonomy, to be of most use over the longer term, will have to broadly address the range of assets in which capital is actually invested, and distinguish greater and lesser degrees of alignment with sustainability goals. The EU Taxonomy, for example, while initially focusing only on “the greenest of green” investments, may need to be expanded or joined by additional taxonomies to address transitional investments. In doing so, it will be necessary to move beyond a solitary focus on binary notions of sustainability to recognize a spectrum of sustainability characteristics, which could both help illuminate material sustainability differences throughout that spectrum (for example, lower GHG-emitting fossil fuels versus higher GHG-emitting fossil fuels) as well as encourage a migration throughout the spectrum to more sustainable profiles.

This need was recognized in Bank of England Governor Mark Carney’s speech at the UN Climate Summit in September 2019. Governor Carney, now appointed as the UN’s Special Envoy for Climate Action and Finance, noted that while the EU Taxonomy is a “good start”, it is “binary (dark green or brown). Mainstreaming sustainable investing will require a richer taxonomy—50 shades of green.” [\[11\]](#)

A taxonomy at this level could also be used to help anchor investment products and portfolio strategies. The disclosures and clear explanations of sustainability characteristics at the product level—which we outline in our discussion of product naming conventions on page 12—could use the taxonomy of economic activities as a reference to help define their investment approaches more clearly.

Recommendations

As we have noted throughout this post, we do not believe there is a “one size fits all” definition of “sustainable investment”. Maintaining a healthy variety of different approaches to investing around a theme of sustainability is key to facilitating asset owner choice, which is in turn critical to underpin the continued growth in this space. In our view, key to this approach is clear, transparent data—as explained earlier.

With these principles in mind, we propose recommendations in two key areas, investment products and company disclosures, and make high-level observations on the path forward for a taxonomy of economic activities.

Providing a clearer product naming convention

We believe that one key focus should be to eliminate as much as possible any potential gap between what the manager of a “sustainable product” claims the product delivers and the asset owner’s expectation of what that means should be the clear focus of policy measures. Where the focus is on materiality, a policy or regulatory approach should center on clarifying what an asset owner can and should expect from the sustainability-related component of the product they are buying—either the sustainability-related outcome the product seeks to achieve, the way in which sustainability forms the basis of an investment thesis, or any other sustainable objective or outcome. To be clear—to be positioned as “sustainable.” a product must have a sustainability objective documented in their investment process or strategy.

Under this approach, combating something like greenwashing means building a policy that requires asset managers and product providers to describe their investment approaches clearly and understandably to asset owners, regulators and to other stakeholders. Language should explain what a fund means when it describes how sustainability-related concepts factor into its investment process and ensure asset owners have meaningful information to understand how that translates into their investment.

For different asset owners, the approach to including a sustainability objective takes different forms. For some, it is a dedicated effort to avoid exposures. For others, it is a dedicated effort to advance a certain objective. Our view is that each of these motivations are legitimate and should have an approach broad enough to capture them.

Therefore, if a product advances ESG by delivering a higher ESG score at the portfolio level—that is a sustainability objective even if the product does not exclude controversial companies or activities altogether. In this case, the onus should be on the asset manager to clearly label this as an ESG advance approach; show how that outcome is delivered; and provide transparency that the product broadly holds a market basket of securities (i.e. does not exclude).

Using BlackRock’s product taxonomy, for example, an “impact” product should be understood to seek a measurable and positive environmental, social or SDG outcome, alongside financial returns. Within that approach, at the product level, a

renewable power impact fund, for example, should operate with a naming convention that provides objective quantifiable information about those impacts, the elements of which—such as carbon emissions avoided or renewable energy provided per dollar invested—could be agreed and standardized by market participants, allowing easy comparison across products.

More specifically, we recommend:

1. Promote converged standards on portfolio level disclosure of ESG characteristics

We believe that common ESG portfolio level disclosure will facilitate greater transparency on the portfolio's sustainability objective and holdings, therefore empowering asset owners in their investment decision. This approach empowers asset owners in their investment decision-making, particularly across their spectrum of motivations. Alternatively, a “one size fits all” labeling approach could have the effect of constraining choice. Converged standards and metrics for ESG characteristics at the *portfolio* level will also be one of the pay-offs of better disclosure at the *issuer* level, as explained on page 13 and in Exhibit 4.

2. Standardize high-level categories of investment funds

Recent surveys of investors reveal that confusion around even the categories of sustainable investment products can dampen investor confidence in the sector. Indeed, a UBS 2018 survey found that 72% of investors found sustainable investing terminology confusing, with only 38% to 47% of high net worth investors understanding the meaning of categories such as “sustainable investing”, “integration”, “exclusion” and “impact investing.” [12] Critically, other research supports the idea that this lack of understanding of the basic meaning of sustainable investment categories was a key factor in preventing investment decisions. [13] Moreover, while “integration” is sometimes used to describe a specific ESG strategy or style of investing, this can be confusing, as integration of material ESG factors is increasingly part of mainstream investment and reflects considerations that are reflected across all portfolios.

Three high-level sustainability categories:

- Screened investments
- ESG investments
- Impact investments

We recommend consolidation of investment category nomenclature around the following concepts: Screened or Exclusion investments, ESG investments, and Impact investments. We believe these categories are important because they are transparent: they explain clearly the objective of the product, in a way that generically labeling products as “sustainable” would not. That is why BlackRock supports the overall recommendations contained in a recent Report of the Institute of International Finance’s (IIF) Sustainable Finance Working Group. The Case for Simplifying Sustainable Investment Terminology notes that surveys of investors and market participants support the conclusion that “alignment around fewer, simpler sustainable investing terms will enhance transparency and bolster confidence in the integrity of the market.” [14]

In service of providing greater clarity to our clients, BlackRock developed a simple, clear sustainable product and corporate disclosure framework. In Exhibit 3, we demonstrate our approach to broadly classify sustainable investment product categories and show how these align with IIF’s recommendations. The “impact” category aligns with the International Finance Corporation (IFC)’s Operating Principles for Impact Management, which says that impact strategies must demonstrate that their specific investments are made with the intent to contribute to measurable positive outcomes. [15]

3. Facilitate more consistent product naming and disclosures

Beyond the alignment of high-level classifications of investment products, policy makers and developers of naming conventions will need to focus on more detailed product-level names. In doing so, they will need to strike a balance in developing product naming conventions. Some terms such as “carbon neutral” or “board independence” will need to be

evidenced with numerical rigor in order for investors to make meaningful comparisons. However, some flexibility will be needed to allow for new products that may achieve sustainability goals by different routes. Regulatory or voluntary naming conventions should be achieved through a data-driven exercise involving market participants.

Exhibit 3: BlackRock's Product & Corporate Disclosure Framework in Practice

Investor motivation	Avoid	Advance		
Categories	Screened	ESG		Impact
		Broad	Thematic	
Strategy Aims	Exclude specific companies / sectors associated with objectionable activities or specific sustainability risks	Invest in securities based on overall ESG performance	Pursuit of specific E, S, G or SDG issues	Intent to contribute to measurable positive environmental, social or SDG outcomes, alongside financial returns
Additional Information	Definition of and financial impact of screens	Stated portfolio level ESG objectives. ESG performance reflects company's operational management of ESG risks that its business is exposed to	Target exposure to specific E, S, G or SDG themes, but not necessary to contribute towards outcomes	Measurable contribution and reporting towards outcomes
Sample Investment Solutions	Customized solutions through separate accounts, and screened funds For example: <ul style="list-style-type: none"> Controversial weapons Thermal coal and tar sands Civilian firearms Tobacco Nuclear weapons UNGC violators Additional screens may be applied based on investor objectives	<ul style="list-style-type: none"> ESG tilt/optimized: index strategies that enhance portfolio exposure to better ESG performers while closely tracking parent indices ESG best-in-class*: higher conviction index strategies for clients interested in the highest-scoring ESG companies Active ESG: alpha-seeking strategies using ESG insights to seek enhanced risk-adjusted returns 	Investment strategies that provide financial exposure to long-term transformative industry trends by: <ul style="list-style-type: none"> Environmental focus: <ul style="list-style-type: none"> Low Carbon Transition Readiness Sustainable Energy Future of Transport Social focus: <ul style="list-style-type: none"> Diversity & Inclusion Human Capital Governance focus 	Strategies across asset classes that are linked to a tangible impact: <ul style="list-style-type: none"> Fixed income: Green Bonds Infrastructure: Renewable Energy At investment level: <ul style="list-style-type: none"> Corporations delivering positive outcomes through products/services (both public and private) Projects/Loans ring fenced around social and/or environmental activities (green bonds, mortgages, infrastructure investments, etc.)
Reporting/disclosure	No specific reporting required; additional information encouraged (e.g., description of methodology; where applicable, excluded from baseline index:?)	Description of specific ESG objective; additional information encouraged (e.g., assessment methodology)	Thematic KPI reporting ideally	Impact outcomes required
Naming Considerations	"Screened" or "ESG Screened"	"ESG"	Dependent on theme	"Impact"
IIF Taxonomy Classification	"Exclusion"	"Inclusion"		"Impact"

*"Best-in-class" refers to investing in companies that are leaders in their sectors in terms of meeting E, S, and G criteria.

Part of the EU's forthcoming policy will broadly segment out 'sustainable' investments into products that have dedicated sustainability-related objectives, and those where a particular ESG-characteristic is central to the product. However, regulators have not given clear guidance as to how to understand where to draw a clear line between when a product is pursuing a dedicated sustainability objective, versus merely building an investment approach around an ESG-related feature.

A potential delineation in this emerging regulatory classification would be most clear in drawing a distinction between products which offer a clear objective linked to a specific sustainability outcome (impact), versus products offering the investor financial exposure to overall ESG performance or a particular theme (ESG, either broad or thematic), or limiting a specific sustainability risk through a screened or exclusionary approach (screened). In the broad ESG category, a product

must have a stated ESG objective in the fund's investment objective and policy. Further, in this categorization, ESG refers to the assessment of a company's management of their ESG risks and opportunities.

Enhancing issuer-level corporate disclosures

While investors may be happy with more volumes of ESG data, it is unlikely to be the best use of many companies' resources to devote the time needed to report in line with the growing number of initiatives or respond to requests from the many third party ESG data vendors. There is much to be learned from how issuers can and do prioritize these requests; using these perspectives and moving towards some sense of standardization will benefit all parties.

The lack of agreement of data sets and scoring systems means there is a significant opportunity to improve the consideration of ESG factors. However, even with convergence around a common ESG disclosure framework, there will still be the need to harmonize and improve the quality of data sets, while enabling the ability to innovate.

Some policy makers have suggested that moving towards more mandatory reporting frameworks would be beneficial. We think it is important disclosures retain some flexibility to adopt the metrics most material to a given company or sector, and therefore avoid a "one size fits all" disclosure that is likely to be less helpful to investors. We believe that it is important to arrive at the "right" framework for reporting before mandating the use of a particular set of standards.

More specifically, we recommend:

1. Align corporate ESG disclosure reporting frameworks

As noted in the previous section, it has already been shown that alignment and convergence around the core commonalities of many of the existing frameworks is feasible, as the degree of overlap and consistency is already high. These frameworks should strive together to reduce duplication, use common forms for surveys wherever possible, and drive towards reporting consistency and efficiency. We believe the TCFD, as implemented through the SASB and CDSB guidelines, is one of the most suitable approaches and should be further developed and adopted for use beyond the climate context. In addition, as noted earlier, [we have asked all companies that we invest in](#) to publish disclosures in line with SASB guidelines (or a similar set of data that is more industry-relevant) and disclose climate-related risks in line with TCFD's recommendations.

2. Address framework proliferation

As work proceeds to achieve alignment among the existing frameworks, efforts should consequently focus less on the development of wholly new frameworks that might result in substantial diversion of resources, management focus and expense from the alignment effort. While new proposed frameworks may offer valuable insights onto certain disclosure items and emerging risk issues, work should focus on incorporating these insights and disclosure enhancements into existing frameworks like SASB and TCFD, given the significant effort and progress that has already been made.

3. Encourage innovative research and technology

Stronger consensus from investors as to what ESG data points are most important from a materiality perspective will aid investors to make a clear case for improved issuer disclosure. An essential problem remains the risk that the lack of quantifiable metrics for ESG benefits will leave asset owners confused about what to expect from their investment in terms of direct impact. Continued research around ESG can improve understanding and education.

Technology can help to minimize administrative reporting burdens on companies—for example by creating online portals where companies can provide information in a single place which can then be analyzed and processed by ESG data providers and analysts/scoring systems.

The pay-off from better disclosure at the issuer level will be clearer product-level metrics, and a better and more user-friendly set of information that can help investors make better decisions. As a practical matter, once issuer level disclosures have converged, backed by a consistent and manageable number of data sets, private sector players including asset managers, have already shown that they will use investor-centric marketing to make prominent and clear

disclosures about the sustainability data for investment options. As data sources become more aligned, investors will be able to make informed decisions based on objective and apples-to-apples comparisons.

Starting in 2019, BlackRock’s iShares ETF franchise has disclosed consistent ESG metrics across *all* ETFs offered globally, not just sustainable ETFs, on their websites to provide greater transparency to investors (shown in Exhibit 4). In 2020, we will provide ESG, carbon, and business involvement data available for all of our ETFs, mutual funds, and open-ended funds to our client globally. To be as transparent as possible in the data, however, we must have an aligned framework for corporate disclosures.

Exhibit 4: Transparency in practice: Online ESG metrics for iShares ETFs

Sustainability Characteristics

Sustainability Characteristics can help investors integrate material sustainability considerations into their investment process. Within this, environmental, social, and governance (ESG) metrics can provide insight into a company’s management effectiveness and long-term financial prospects. Business Involvement metrics can help investors gain a more comprehensive view of specific activities to which a fund may be exposed through the investments it holds.

MSCI ESG Quality Score ⓘ as of 31/Dec/2019	5.7	MSCI Weighted Average Carbon Intensity (Tons CO2/\$M Sales) ⓘ as of 31/Dec/2019	172.21
MSCI ESG % Coverage ⓘ as of 31/Dec/2019	99.58%		

Business Involvement

MSCI ESG - Cluster Munitions ⓘ as of 31/Dec/2019	1.01%	MSCI ESG - Nuclear Weapons ⓘ as of 31/Dec/2019	1.05%
MSCI ESG - Landmines ⓘ as of 31/Dec/2019	0.00%	MSCI ESG - UN Global Compact Compliance Violation (Fail) ⓘ as of 31/Dec/2019	0.70%
MSCI ESG - Depleted Uranium Weapons ⓘ as of 31/Dec/2019	0.35%	MSCI ESG - Tobacco Producers ⓘ as of 31/Dec/2019	0.84%
MSCI ESG - Biological & Chemical Weapons ⓘ as of 31/Dec/2019	0.00%	MSCI ESG - Civilian Firearms Producers ⓘ as of 31/Dec/2019	0.20%

Encouraging an ESG taxonomy for economic activities that is objective and promotes investor choice

A sound taxonomy of economic activities supports all the foregoing recommendations with respect to product naming and corporate level disclosure. When the core activities can be assessed for their sustainability characteristics against objective metrics, this will flow up to related disclosures at the issuer and portfolio level. These metrics will minimize confusion and the risk of greenwashing by enabling investors to focus on the data that are most relevant to their objectives. Such a focus will render both unnecessary and unhelpful a taxonomy that is overly prescriptive or imposes binary definitions of sustainable and non-sustainable. To be most useful to investors, the taxonomy should focus on metrics that are material to the sustainability considerations at issue, and also that are relevant to the sectors at issues, recognizing that there is not a “one size fits all” answer to what data will be material across industries. Furthermore, a useful taxonomy should be a spectrum—not a binary approach—to appropriately meet the varying objectives and preferences of investors and to encourage product innovation.

The importance of a spectrum of sustainability options may be seen in a few examples. Consider an asset owner who is focused on aligning their investment with workers’ rights. They may want to simply not invest capital in a company with a poor track record on workers’ rights. They could also choose to identify companies that are improving their practices, and invest and engage with those companies to encourage better practices on a material issue. Or, the asset owner could invest for impact, where the fund’s stated goal is to achieve worker rights’ outcomes alongside financial return. Each of these investment approaches can be considered sustainable. We believe this spectrum of investment options is critical to a sustainable product platform and encouraging the increase of capital towards companies and projects that incorporate sustainability.

To take another example germane to the TCFD and the European Union's Taxonomy Proposal, consider a set of asset owners focused on investing in a long-term transition to a low carbon economy.

As a fiduciary, we believe it is critical to develop measures of the risks associated with the low carbon transition—this pertains both to the physical risks of climate change as well as the transition risks, by which we mean how the global transition to a low-carbon economy could affect a company's long-term profitability. At the same time, we recognize that the energy transition will still take decades, and global economic development, particularly in emerging markets, will continue to rely on hydrocarbons for a number of years. Governments and the private sector must work together to pursue a transition that is fair and inclusive, and these efforts will benefit from more information about the relative position of activities on a sustainability spectrum.

With respect to physical risks, our view is that the risks are significant and likely to drive a reallocation of capital. As outlined in [the recent letter by our CEO](#), evidence on climate risk is compelling investors to reassess core assumptions about finance. As that letter elaborates, research from a wide range of organizations—including the UN's Intergovernmental Panel on Climate Change, the BlackRock Investment Institute, McKinsey and many others—is deepening our understanding of how climate risk will impact not just our physical world, but also the global system that finances economic growth. Indeed, we believe climate change has become a defining factor in companies' long-term prospects, with significant impact on economic growth and prosperity. At the same time, these risks are still underappreciated by the market.

Likewise, on transition risks, we have developed a framework in line with TCFD's, to measure the relative transition readiness within companies, including a forward-looking view of which companies are best positioned to generate low carbon technology. [16] The ability to identify the relative transition readiness of companies enables us to provide an assessment that goes beyond the binary of a "green" versus "not green" outcome.

We believe asset owners will benefit from this type of enhanced information on physical and transition risks in order to make more informed investment decisions. In some cases, asset owners will want to invest in strategies that are more consistent with the EU Taxonomy, which is a more binary approach; in other instances, asset owners may want to utilize this information to get more exposure to transition readiness across a broader spectrum of solutions. With more information and data that will facilitate informed decision-making, we can better serve the various motivations of our clients and facilitate the asset owner choices noted by Governor Carney, including those who want to limit their investments to "the greenest of green" and those who want to have broader exposure across the spectrum of investments contributing to the low carbon transition.

Conclusion

We applaud the numerous efforts being made globally to reach a more consistent and aligned taxonomy for sustainable investing. Even as these efforts to address ESG disclosure frameworks, data consistency and materiality are ongoing, the challenges have not stopped asset managers and investors alike from pursuing sustainable investing options with real results. The good news here is that investor appetite for sustainable solutions continues to grow—indeed, sustainable funds are among BlackRock's fastest growing. With policy makers, the financial sector, investors and companies working in partnership, the era of sustainable investing can continue to grow and forge a manifest link between critical ESG goals and profitability that will improve societies around the world.

Endnotes

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Glossary

ASIC	Australian Securities and Investments Commission
CDP	Carbon Disclosure Project
CDSB	Climate Disclosure Standards Board
CGFC	China Green Finance Committee
CSA	Canadian Securities Administration
CSRC	China Securities Regulatory Commission
DOL	US Department of Labor
DWP	UK Department of Work and Pensions
ERISA	Employee Retirement Income Security Act of 1974
ESG	Environmental, Social and Governance
FCLTGlobal	Focusing Capital on the Long Term
GHG	Greenhouse Gas
GRI	Global Reporting Initiative
IIF	Institute of International Finance
IIRC	International Integrated Reporting Council
IOSCO	International Organization of Securities Commissions
METI	Japan Ministry of Economy, Trade and Industry
MIFID	Markets in Financial Instruments Directive
SASB	Sustainability Accounting Standards Board
SEC	Securities and Exchange Commission
SFC	Hong Kong Securities and Futures Commission
TCFD	Taskforce on Climate-related Financial Disclosures
UN SDGs	United Nations Sustainable Development Goals
UNGC	United National Global Compact

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