

FiscalNote

The ESG Landscape: Trends and Standards Monitor

FEBRUARY 2022



Executive summary

This month's highlights

- In the United States, investors and environmentalists have criticised the Biden administration's draft methane rule for being too lenient on the oil and gas industry. Specifically, they have urged the Environmental Protection Agency (EPA) to remove an exemption from regular inspections for small oil and natural gas wells that account for almost half the sector's methane leaks.
- California has passed the Climate Corporate Accountability Act, advancing what could become the first law in the United States requiring large companies to disclose all of their greenhouse gas emissions.
- Activist shareholders continue to press companies on ESG issues, including the improvement of working conditions in retail and other industries, as investors and lawmakers alike seek more insight into corporations' treatment of their employees.
- Institutional investors have criticised the European Commission's plan to label natural gas projects as 'green' under the EU's sustainable finance taxonomy. They say it will negatively impact their ability to align their portfolios with net zero.
- The Platform on Sustainable Finance, a group of experts convened by the European Commission, published its final report on whether the existing EU taxonomy should be extended to include a social taxonomy. The purpose of the taxonomy is to define clearly what constitutes a social investment.
- Globally, the risk of ESG-related litigation is rising owing to increasing demands from investors for ESG data and by the introduction of mandatory reporting requirements. Relatedly, a recent study of 25 global corporations highlighted the risk of greenwashing.

What to watch

- The Securities and Exchange Commission (SEC) is expected to unveil its highly anticipated proposed climate disclosure rule for US-listed companies by the end of March. It is then expected to turn to rulemaking on human capital management disclosure to help investors understand aspects such as the composition of the workforce and the cost associated with workforce turnover.
- The Commission will need to decide on the potential extension of the taxonomy framework to include a social taxonomy following the Platform's suggestions -- although the timeline for its decision remains unclear.
- Greenwashing is expected to be one of the main litigation issues to ramp up in 2022 and beyond, as courts are increasingly receptive to climate activists' concerns.

Stay ahead of the curve

- Prepare for ESG-related litigation to move beyond environmental issues to areas such as modern slavery, labour conditions, data privacy and supply chain due diligence.
- Expect heightened scrutiny of global supply chains amid volatile geopolitics and growing pressures to align supply chains with corporate ESG goals.

Upcoming events and meetings

March 9:

[CDP Europe Awards 2022](#)

March 9:

[GRI Experts Series: Follow the money: how CFOs can drive sustainable business growth](#)

March 9-10

[Natural Capital Investment conference 2022](#)

March 21-24

[The Economist's Sustainability Week 2022 – London](#)

April 25 - May 8:

[The UN Biodiversity Conference \(COP15\) \(Part 2\), Kunming, China](#)

Sources you can trust



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