

ICI Statement on SEC ESG Disclosure Proposal

Washington, DC; August 16, 2022—Today, ICI President and CEO Eric Pan released the following statement regarding the SEC's proposal to require additional disclosure around environmental, social, and governance (ESG) investment practices:

"ICI fully supports regulatory measures to address concerns around greenwashing. We believe it is critical that investors understand the differences between environmental, social, and governance (ESG) funds and non-ESG funds. ICI members aim to provide funds that meet a range of investor objectives. We recognize that confusion over ESG is undesirable to those investors who want to pursue ESG-related investment strategies and those who do not.

"Unfortunately, the SEC's disclosure proposal is too complex and risks sowing confusion among investors while imposing significant compliance burdens on funds.

"Among its weaknesses, the proposal would elevate ESG-related disclosure over other types of information, giving a misleading impression of its relative importance. Mandating disclosure of aggregated greenhouse gas (GHG) emissions data would put funds in an untenable position, given that their portfolio companies are not all required to supply the necessary data. In addition, any aggregated Scope 3 GHG emissions reporting by a fund would be costly to produce as well as worthless to investors due to data gap and methodology issues.

"We believe that there is a more effective way for the Commission to achieve its goal. We recommend that funds—and not the SEC—determine their principal investment strategies and proactively state if their principal investment strategies focus on one or more ESG factors in the selection of investments. Such funds would then be *opting-in* to the enhanced disclosures.

"Our other recommendations focus on improving the presentation of relevant information in the summary prospectus and ensuring funds have to report aggregated GHG emissions data only where portfolio companies supply the necessary underlying data in a regulatory report. We believe our recommendations will make investors better informed about what these ESG funds are doing, which we understand is the objective of this rulemaking effort."

To read ICI's comment letter, [click here](#).