Harvard Law School Forum on Corporate Governance

BlackRock Nudges Companies Toward a Common Standard (SASB + TCFD)

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Editor's Note: **David M. Silk** and **Sabastian V. Niles** are partners and **Carmen X.W. Lu** is an associate at Wachtell, Lipton, Rosen & Katz. This post is based on their Wachtell Lipton publication. Related research from the Program on Corporate Governance includes **Social Responsibility Resolutions** by Scott Hirst (discussed on the Forum **here**); **Reconciling Fiduciary Duty and Social Conscience: The Law and Economics of ESG Investing by a Trustee** by Robert H. Sitkoff (discussed on the Forum **here**); and **Socially Responsible Firms** by Alan Ferrell, Hao Liang, and Luc Renneboog (discussed on the Forum **here**).

A common concern among companies, investors, asset managers and other stakeholders considering voluntary ESG-related disclosures is the lack of a uniform standard that would permit reliable and consistent comparability. In yesterday's **annual letter to CEOs**, BlackRock's Chairman and Chief Executive Officer Larry Fink advocated for standardized and accelerated sustainability disclosures and endorsed both the industry-specific standards developed by the Sustainability Accounting Standards Board (SASB) and the climate-specific framework developed by the Task Force on Climate-related Financial Disclosures (TCFD) as the benchmark frameworks.

Pointedly, and building on selected private engagements with companies, BlackRock will now request its investee companies to disclose in accordance with SASB's (or similar) and TCFD's guidelines by year-end. The request has teeth: BlackRock "will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and […] plans underlying them." Going forward, formal Rule 14a-8 shareholder proposals seeking SASB- and TCFD-aligned sustainability reporting may receive greater investor support where companies have not committed to expanded disclosures.

At the same time, BlackRock published updated stewardship guidance about **climate risk** engagement and **SASB- and TCFD-aligned reporting**. While recognizing that other standards may be acceptable, the guidance adheres closely to guidance published by SASB and the Climate Disclosure Standards Board, including their **joint TCFD Implementation Guide**.

Whether or not BlackRock's efforts produce a consensus on a sustainability disclosure standard and accelerated voluntary reporting, it is clear that, going forward, investors will expect officers and directors of investee companies to demonstrate a strong understanding of company-specific sustainability and climate-related risks. Companies that have not yet disclosed against SASB and TCFD standards are well-advised to familiarize themselves with these frameworks and develop their rationales for not making those disclosures, deciding upon a reasonable time frame for making new disclosures or adhering to a different standard. The resources and primers prepared by the Society for Corporate Governance are useful for issuers seeking to understand this landscape, as are industry-specific resources.

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