

ESG

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SEC Abandons ESG Enforcement Group Amid Broader Backlash (1)

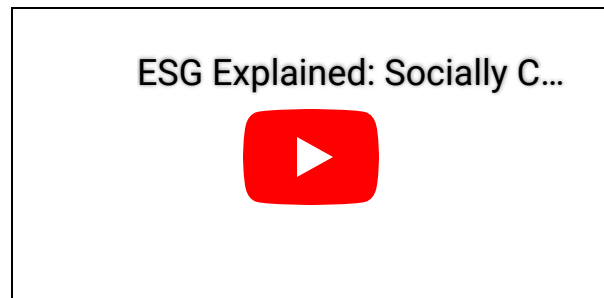
By Andrew Ramonas

Exclusive

- SEC ended task force within past few months, spokesperson said
- Agency launched group in 2021 with nearly two dozen staffers

The SEC has quietly disbanded a group of enforcement lawyers who helped bring litigation fighting misleading environmental, social and governance disclosures for more than three years.

The Securities and Exchange Commission shut down its Enforcement Division's Climate and ESG Task Force within the past few months, an agency spokesperson told Bloomberg Law Thursday.



WATCH: What is ESG, and what’s behind the backlash?

The agency launched the group in March 2021 under then-Acting SEC Chair Allison Lee with nearly two dozen staffers, who helped on the task force as they continued other jobs. SEC Chair Gary Gensler continued the group when he arrived at the agency in April 2021. The group went on to help with cases against Bank of New York Mellon Corp., Goldman Sachs Group Inc., Brazilian miner Vale SA and others.

“The strategy has been effective, and the expertise developed by the task force now resides across the Division,” the SEC spokesperson said in a statement.

The SEC and companies increasingly are distancing themselves from the term “ESG” and keeping initiatives in the space in limbo or using other language to refer to them amid a conservative-led backlash. The agency last year dropped ESG from a list of priorities for its examiners checking investment firms for compliance with agency rules.

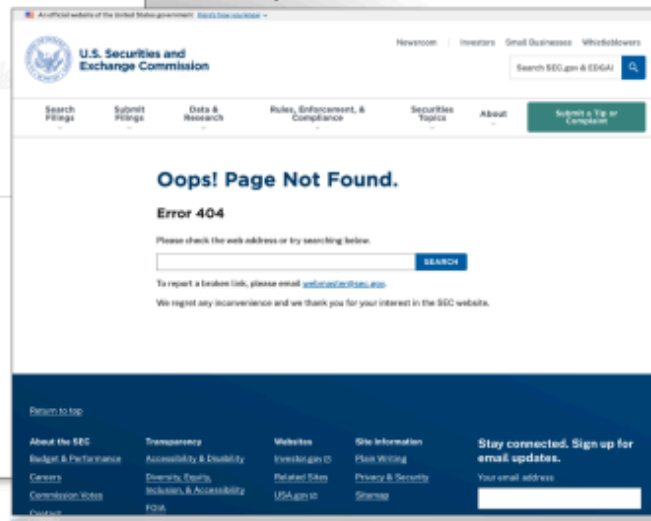
The commission also is unlikely to finish major ESG regulations that still are pending in the less than five months Gensler may have as SEC chair before a new president takes office in January. Rules that require companies to report details about their workforce management and board members’ diversity are among the unfinished items.

SEC’s ESG Task Force

June 3, 2024



Sept. 12, 2024



Source: SEC website and Internet Archive (Wayback)

Bloomberg Law

The SEC last directly linked a case to the task force in a September 2023 press release announcing a \$25 million settlement with Deutsche Bank AG. The deal resolved claims the firm misled investors about ESG investments and failed to create an anti-money laundering program for mutual funds it advised.

But SEC Enforcement Division Director Gurbir Grewal said months later in January that the agency's enforcement lawyers still were on the lookout for ESG-related fraud.

The agency previously promoted the task force's work on a web page that last listed 16 ESG-related enforcement actions from 2008 to 2022, half of which predate the group's launch.

The page disappeared in June, shortly before the SEC announced in July it revamped SEC.gov, according to a Bloomberg Law review of the agency's website and pages archived by the Wayback Machine.

(Updates with additional background throughout)

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