



## Audit Committee *Brief*

The *Audit Committee Brief* focuses on the timely coverage of issues and insights important to audit committees. Questions, comments, or suggestions should be directed to [centerforboardeffectiveness@deloitte.com](mailto:centerforboardeffectiveness@deloitte.com).

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### **Publications and topics of interest**

#### **The International Business Council discusses Big Four reporting sustainability at the World Economic Forum**

The International Business Council discussed *Toward Common Metrics and Consistent Reporting of Sustainable Value Creation*, a report prepared by the World Economic Forum and the Big Four accounting firms that recommends sustainability metrics and disclosures. The intent is for the metrics to be reflected consistently in the annual reports of companies across industry sectors and countries.

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#### **Climate-driven financial risks are hard to ignore**

In this article, Deloitte leaders discuss efforts to increase transparency into the financial consequences of climate change, noting that it is quickly becoming a major proxy issue under the broader environmental, social, and governance agenda. One conclusion is that boards should encourage management to consider climate-related financial risks in their risk management process and when setting strategy.

This article originally appeared in Deloitte Insights in *Risk & Compliance Journal* from *The Wall Street Journal* on February 3, 2020. The Wall Street Journal News Department was not involved in the creation of this content.

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### **BlackRock and State Street CEOs release letters on sustainability**

In his annual letter to CEOs, Larry Fink announced several sustainability initiatives as part of BlackRock's investment strategy. He encouraged companies to expand disclosures and provide a comprehensive view of environmental risks and sustainability efforts. He also stated that BlackRock will be disposed to vote against directors when companies are making insufficient progress on sustainability disclosures and the business practices and plans underlying them.

In State Street's annual letter, Cyrus Taraporevala noted that ESG is no longer an option when it comes to companies' long-term strategies. He added that State Street's R-factor, a scoring system that measures business operations and governance as they relate to financially material and sector-specific ESG issues, will influence State Street's proxy voting strategy.

[BlackRock letter](#)

[State Street letter](#)

### **Rule-making and standard-setting developments SEC proposes rule to modernize MD&A and related financial disclosure requirements**

This issue of *Heads Up* discusses the SEC's recently issued proposed rule Management's Discussion and Analysis (MD&A), Selected Financial Data, and Supplementary Financial Information, which would modernize MD&A and certain financial disclosure requirements in SEC Regulation S-K. It also discusses interpretive guidance on disclosure considerations related to key performance indicators and metrics in MD&A, as well as SEC chairman Jay Clayton's public statement on the proposed rule and interpretive guidance.

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