

SUSTAINABILITY: RECENT ESG DEVELOPMENTS

July 2020

Sustainability is a key theme for 2020 and businesses worldwide are putting environmental, social and governance (ESG) considerations at the heart of their operations. Governments, regulators, business and advocacy groups are developing policy measures, rules, guidelines and other initiatives to promote sustainability and responsible business practices, in particular to ensure that the financial sector supports and manages the impact of climate transition. Courts and other dispute resolution bodies are also beginning to grapple with these developments.

This newsletter is intended to assist banks, financial investors and corporates in keeping up to date with ESG developments.

Further details of these and previous developments can also be found on our [Green and Sustainable Finance Topic Guide](#) on the [Clifford Chance Financial Markets Toolkit](#).

This regular newsletter is a digest of key developments on Sustainability and ESG from around the Clifford Chance network, including:

- Legal and Regulatory Requirements
- Industry Best Practice, Guidance and Voluntary Codes
- Official Publications
- Industry Publications
- Rating Agency, Index Provider and Data Services
- Clifford Chance Briefings and Blogs
- Clifford Chance Events

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LEGAL AND REGULATORY REQUIREMENTS

European Union

(18 June 2020) The EU Taxonomy Regulation has been published in the Official Journal. It will enter into force on 12 July 2020. | [Regulation \(EU\) 2020/852](#)

Environment Social | Market wide

(9 June 2020) ESMA announces public hearing on proposed ESG disclosure standards for financial market participants, advisers and products on 2 July 2020. | [ESMA press release](#)

Environment Social Governance | Market wide

(8 June 2020) The EU Commission has published two draft delegated directives and four draft delegated regulations as part of the EU's action plan on sustainable finance. | Consultation webpages: [AIFMD](#) | [IDD](#) | [MiFID2](#) | [MiFID2](#) | [Solvency II](#) | [UCITS](#) to advise clients on social and environmental aspects.

Environment Social Governance | **Asset managers** | **Insurers** | **Investment firms**

United Kingdom

(25 June 2020) William Cash, Chair of the House of Commons European Scrutiny Committee, has responded to a May 2020 letter from HM Treasury with further questions on whether the UK Government's plans to implement the EU Taxonomy Regulation. | [William Cash response](#)

Environment Social | **Market wide**

United States

(15 June 2020) The US Supreme Court ruled that Title VII of the Civil Rights Act, which bars workplace discrimination on the basis of race, colour, religion, sex, or national origin, also outlaws discrimination against LGBTQ+ people. | [Opinion](#)

Social | **Market wide**

INDUSTRY BEST PRACTICE, GUIDANCE AND VOLUNTARY CODES

International

(19 June 2020) The Equator Principles (EP) Association has issued guidance for financial institutions and borrowers on managing COVID-19 related risks to EP compliance. The guidance is intended to apply to EP3 and EP4 transactions. | [Guidance](#)

Environment Social Governance | **Market wide**

(16 June 2020) The UN Development Programme (UNDP) has issued sustainable development goals (SDG) impact standards for defined SDG bond programs for public consultation. Comments to the consultation are due by 31 July 2020. | [Press release](#) | [Consultation webpage](#) | [SDG impact standards for SDG bonds](#) | [Consultation guiding questions](#) | [FAQs](#)

Environment Social Governance | **Market wide**

(15 June 2020) The UN Principles for Responsible Investment (PRI) has published a high-level framework for PRI signatories setting out specific actions they can undertake to shape outcomes in line with the sustainable development goals (SDGs). | [Executive summary](#) | [Report](#)

Environment Social Governance | **Market wide**

(9 June 2020) The International Capital Market Association (ICMA) has published the sustainability-linked bond principles (SLBP) voluntary guidelines and updated its social bond principles (SBP) guidelines. The SLBP voluntary guidelines are intended to outline best practices for financial instruments to incorporate forward-looking ESG outcomes and promote integrity in the development of the sustainability-linked bond (SLB) market by clarifying the approach for issuance of a SLB. | [Press release](#) | [Social bond principles](#) | [Sustainability-linked bond principles](#)

Environment Social | **Market wide**

OFFICIAL PUBLICATIONS

International

(11 June 2020) New Zealand and Singapore have joined the International Platform on Sustainable Finance (IPSF), a forum that aims to strengthen international cooperation and, where appropriate, coordination on approaches and initiatives for the capital markets that are fundamental for private investors to identify environmentally sustainable investment opportunities globally. |

[IPSF homepage](#) | [Press release](#)

Environment | **Market wide**

European Union

(24 June 2020) The EU ambassadors have endorsed the Council's partial position for negotiations with the Parliament on establishing a Just Transition Fund. Part of the Green Deal, the fund aims to reduce the socio-economic costs for those communities that are less equipped to meet the challenges of the green transition. | [EU Council press release](#)

Environment Social | **Market wide**

(12 June 2020) The EU Commission is gathering feedback from stakeholders to inform the establishment of an EU green bond standard (GBS). The EU GBS aims to address barriers identified in the current market by reducing uncertainty about what constitutes green investment by linking it to the EU taxonomy, standardising verification and reporting processes, and establishing an official standard to which potential incentives could be linked. | [Consultation paper](#)

Environment | **Market wide**

(10 June 2020) The EU Commission has published a set of frequently asked questions (FAQs) on the work of the Commission and the Technical Expert Group on Sustainable Finance (TEG) on the EU Taxonomy and the Green Bond Standard (GBS). | [EU Commission FAQs](#)

Environment | **Market wide**

France

(25 May 2020) The French Prudential Supervision and Resolution Authority (Autorité de Contrôle Prudentiel et de Résolution) has published a guide to good practices in governance and climate risk management for the banking industry. | [Report](#)

Environment Governance | **Banks**

Hong Kong

(30 June 2020) The Hong Kong Monetary Authority (HKMA) has published a white paper on green and sustainable banking, which presents the initial thinking of the HKMA about its supervisory approach to addressing climate-related issues, and to lesser extent, broader sustainability issues. | [Cover page](#) | [White paper](#)

[Cover page](#) | [White paper](#)

Environment | **Market wide**

Singapore

(25 June 2020) The Monetary Authority of Singapore (MAS) has issued three consultations on its proposed guidelines on environmental risk management for banks, insurers and asset managers. | [Press release](#) | Proposed guidelines for: [Asset managers](#) | [Banks](#) | [Insurers](#)

Environment | **Asset manager** | **Banks** | **Insurers**

Spain

(26 June 2020) The National Securities Market Commission (CNMV) has published a partial review of the Spanish Code of good governance of listed companies. | [Press release \(in Spanish\)](#) | [Partial review](#)

Governance | **Market wide**

United Kingdom

(29 June 2020) The Climate Financial Risk Forum (CFRF), jointly established by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), has published a guide intended to help financial institutions understand the risks that arise from climate change and to provide support on how to integrate these risks into their strategy and decision-making processes.

| [CFRF homepage](#) | [Guide summary](#)

Environment | **Market wide**

(18 June 2020) The Bank of England has published its own climate-related financial disclosure that sets out its approach to managing the risks from climate change across its operations, and the steps the Bank has taken to improve Bank's understanding of these risks. | [Press release](#) | [Climate-related financial disclosure](#)

Environment | **Market wide**

INDUSTRY PUBLICATIONS

International

[•]

European Union

(10 June 2020) A consortium of financial industry associations, including the European Banking Federation (EBF), the European Fund and Asset Management Association (EFAMA) and Insurance Europe, have written an open letter to the European Commission calling for a common EU ESG data register to enhance the availability of relevant and reliable ESG data, facilitate disclosure and scale-up sustainable funding. | [EBF press release](#) | [Letter \(dated 9 June 2020\)](#)

Environment Social Governance | **Market wide**

Finland

(10 June 2020) Finance Finland, an industry association representing the financial services sector in Finland, has announced that its monthly report on investment funds domiciled in Finland will be updated to include ESG information to indicate how well funds provide sustainability information. |

[Finance Finland homepage](#) | [Press release](#)

Environment Social Governance | **Market wide**

Germany

(29 May 2020) Wissenschaftsplatform Sustainable Finance, a network of five different research institutions in Germany, has issued a statement suggesting three separate steps to ensure that the post-Covid-19 economic measures continue to support sustainable investments, the goals of the Paris Agreement and the Sustainable Development Goals (SDGs) and their subtargets. |

[Statement \(in German\)](#)

Environment Social Governance | **Market wide**

Switzerland

(8 June 2020) Swiss Sustainable Finance has published its 2020 Investment Market Study, surveying sustainable investment developments in Switzerland.

| [Press release](#) | [Report](#)

Environment | **Market wide**

RATING AGENCY, INDEX PROVIDER AND DATA SERVICES

International

(15 June 2020) MSCI: Deconstructing ESG ratings performance: risk and return for E, S and G by time horizon, sector and weighting. | [MSCI homepage](#) (you may be asked to create a free account).

Environment Social Governance | **Market wide**

(15 June 2020) MSCI: Is ESG all about the 'G'? That depends on your time horizon. | [MSCI homepage](#) (you may be asked to create a free account).

Environment Social Governance | **Market wide**

(4 June 2020) MSCI: Green bonds – trends and beyond. | [MSCI homepage](#) (you may be asked to create a free account).

Environment | **Market wide**

Hong Kong

(18 June 2020) The Hong Kong Exchange launches the Sustainable and Green Exchange (STAGE), an information platform that will act as a central hub for data and information on sustainable and green finance investments in Asia. | [HKEX press release](#) | [STAGE homepage](#)

Environment | **Market wide**

ADVOCACY GROUP PUBLICATIONS

International

(9 June 2020) CDP, a non-profit global environmental disclosure platform, is urging more than 1000 companies that have been identified by their investors to disclose their impact on climate change, forests and water security. | [CDP campaign webpage](#) | [Press release](#)

Environment | **Corporates**

European Union

(8 June 2020) Finance Watch has published a report setting out a legal basis for applying higher risk weights to banks' exposures to existing and new fossil fuel reserves using prudential tools already available in the Capital Requirements Regulation (CRR). | [Press release](#) | [Report](#)

Environment | **Banks**

United Kingdom

(9 June 2020) The UK Stakeholders for Sustainable Development and the UN Global Company Network UK have written to Prime Minister Boris Johnson to ask him to use the UN's Sustainable Development Goals (SDGs) to consolidate and future-proof Covid-19 recovery plans in the UK. | [Press release](#) | [Letter](#)

Environment Social Governance | **Market wide**

CLIFFORD CHANCE BRIEFINGS AND BLOGS

- (30 June 2020) Clifford Chance briefing: [Sustainable finance: European Commission consults on how insurers and asset managers integrate 'sustainability' into their operations](#)
- (25 June 2020) Clifford Chance briefing: [Sustainability-Linked Bonds - Making Sense of SLBs, KPIs and SPTs](#)
- (24 June 2020) Clifford Chance Blog: [Culture in financial services: developing thinking in the year of Coronavirus and BLM protests](#)

CLIFFORD CHANCE EVENTS

Event: ESG webinar series : Legal risk or business opportunity?

Date & Time: 9 July 2020

Contact: Click [here](#) to register for this webinar

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