



SUSTAINABILITY: RECENT ESG DEVELOPMENTS (SEPTEMBER 2023)

Environmental, Social and Governance ("ESG") factors have fast risen to the top of the board agenda across all sectors, with increasing awareness that a failure to address these matters can be detrimental both financially and reputationally. Investor pressure, internal governance and the proliferation of regulatory requirements and voluntary standards across the globe makes this a complex area to manage.

This newsletter is intended to assist all types of public and private sector entity 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](#) and further related resources can be found on our [Clifford Chance ESG page](#).

Horizon scanning: upcoming developments

The Autumn of 2023 looks set to be another busy period, with a number of important ESG developments expected, including:

Consultations on key UK and EU ESG regulations: a consultation evaluating the EU SFDR framework and the UK Green Taxonomy are both expected to be issued in the Autumn.

Transition planning: in the UK, the Transition Plan Taskforce is expected to issue its Final Disclosure Framework and Implementation Guidance.

Headlines this month

- The [African Impact Investing Group](#) was launched to aid impact investing across the continent.
- India's Securities and Exchange Board released [rules](#) impacting ESG investment funds.

Key issues

- [Legal and regulatory developments](#)
- [Official publications](#)
- [Industry guidance, voluntary codes and publications](#)
- [Advocacy group publications](#)
- [Clifford Chance briefings and blogs](#)
- [Clifford Chance events](#)
- [Contacts](#)

- The UK Financial Conduct Authority published its proposed approach on the IFRS sustainability standards.

LEGAL AND REGULATORY DEVELOPMENTS

European Union

(17 August 2023) The **European Commission** announced the adoption of reporting rules for product importers under the Carbon Border Adjustment Mechanism, the EU's carbon tax on imported goods which will enter into force in its transitional phase from 1 October 2023. The newly adopted rules specify the reporting obligations and information required from importers, and the provisional methodology for calculating the embedded emissions released during the production of goods.

Environmental | Corporates

India

(24 July 2023) The **Securities and Exchange Board of India** released new rules that ESG investment funds in India will be required to have at least 80% of their assets invested in securities aligned with their specific strategies and asset managers will be required to provide monthly ESG scores for holdings.

Environmental Social Governance | Asset managers Financial investors

United Kingdom

(10 August 2023) The **Financial Conduct Authority** (FCA) published the latest edition of its Primary Market Bulletin (No. 45) setting out its observations on the publication of the International Sustainability Standards Board's first 2 IFRS Sustainability Disclosure Standards and the FCA's proposed approach. See [Clifford Chance's blog](#).

Environmental Social Governance | Market-wide

United States of America

(1 August 2023) The **Biden Administration** announced new rules that would require US Federal Government buyers to prioritise sustainable goods and services in procurement activities "to the maximum extent practicable". The proposed rules would update the Federal Acquisition Regulation to include a focus on environmental and sustainability factors.

Environmental Social Governance | Market-wide

OFFICIAL PUBLICATIONS

International

(11 August 2023) The **Taskforce on Nature-related Financial Disclosures** published their findings of a high-level scoping study which explored the case for a global nature-related public data facility. Nature-related data is increasingly demanded and the TNFD recommends that there is a public data facility to connect and expand existing data platforms to improve consistency use and ease of access.

Environmental | Market-wide

(3 August 2023) The **United Nations Global Compact** published Just Transition in Supply Chains a report, considering how companies can improve the resilience of their supply chains in light of climate change risks and respond to the just transition to net zero. The report's key recommendations are to improve awareness of social disruption risks and climate change, improve the transparency of supply chains and to create market demand for environmentally and socially responsible business from the public sector.

Environmental Social | Market-wide

European Union

(27 July 2023) The **European Commission** published the interim report of the Climate Resilience Dialogue Group. The Group was set up in November 2022 to reduce the climate protection gap through discussion between insurers, reinsurers, public authorities and other stakeholders. The interim report defines the 'climate protection gap' and focusses on measuring climate protection gaps. The Final Report will be published Q2 2024.

Environmental | Market-wide

Australia

(7 August 2023) The **Australian Sustainable Finance Institute** appointed a Taxonomy Technical Expert Group (TTEG) to advise on the development of Australia's sustainable finance taxonomy.

Environmental Social Governance | Market-wide

(31 July 2023) The **Australian Sustainable Finance Institute** published a research paper on taxonomy transition methodology which identifies 12 key considerations to mobilise capital toward initiatives that facilitate decarbonisation.

Environmental Social Governance | Market-wide

Hong Kong

(29 August 2023) The **Hong Kong Monetary Authority** (HKMA) published a circular to set out some high-level principles on planning for the transition to a net-zero economy, with a view to assisting banks in maintaining safety and soundness in the transition. The HKMA intends to conduct a survey on authorised institutions' practices in transition planning, tentatively in the fourth quarter of 2023, with a view to sharing with the industry a range of practices based on the survey results.

Environmental Governance | Banks

(7 August 2023) The **Green and Sustainable Finance Cross-Agency Steering Group** announced its key priorities to further promote and consolidate Hong Kong's role as a leading sustainable finance hub. These priorities are: (i) establish regulation through alignment with global standards; (ii) boost Hong Kong's vibrancy and competitiveness to support net-zero transition across the economy; and (iii) grow dynamic, trusted markets with diverse products to mobilise capital at larger scale to support the net-zero transition.

Environmental Social Governance | Market-wide

Luxembourg

(18 August 2023) The **Commission de Surveillance du Secteur Financier** welcomed the Organisation for Economic Cooperation and Development's July 2023 report on financial consumers and sustainable finance noting that it

was an important contribution to the international work on sustainable finance for financial customers.

Environmental Social Governance | Market-wide

The Netherlands

(1 August 2023) The **Netherlands Authority for the Financial Markets** published an exploratory study on sustainability risk management by managers of Dutch investment institutions. The aim of the study (in Dutch) was to gain insight into the way in which the managers integrate sustainability aspects into their organisation and what choices they make. Most managers use the SFDR definition of sustainability risk.

Environmental Social Governance | Asset managers Financial institutions Financial investors

United Kingdom

(14 August 2023) The **Department for Energy Security and Net Zero** (DESNZ) launched the UK Business Climate Hub. The website offers advice and support to small and medium sized businesses on how to reduce emissions, information on getting green loans and financing and buying carbon offsets. The DESNZ also announced that the Net Zero Council had created business sector roadmap guidelines which lay out the criteria for businesses to ensure they can reduce emissions effectively. | Press release

Environmental | Corporates

(10 August 2023) The **Department for Energy Security and Net Zero** published its Biomass Strategy 2023 policy paper setting out the role that sustainable biomass can play in reaching Net Zero, what the government is doing to enable that objective and what further action is required.

Environmental | Market-wide

INDUSTRY GUIDANCE, VOLUNTARY CODES AND PUBLICATIONS

International

(17 August 2023) The **Science Based Targets Initiative** published a Monitoring Report 2022 examining the increase of companies and financial institutions setting science-based targets but noting that more consistent and comprehensive reporting is needed.

Environmental | Corporates Financial institutions

(4 August 2023) The rating agency, **S&P Global** announced that it would no longer include alphanumeric ESG credit indicators in its reports on rated entities.

Environmental Social Governance | Market-wide

(2 August 2023) The **International Auditing and Assurance Standards Board** issued its proposed International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements seeking to enhance confidence and trust in sustainability reporting, and work with information prepared under other suitable reporting frameworks such as those issued by the EU, ISSB and ISO. Comments to be received by 1 December 2023. | Press release

Environmental Social Governance | Market-wide

European Union

(9 August 2023) The **Association for Financial Markets in Europe** published its European **ESG Finance Report Q2 2023** providing detailed data trends for the sustainable finance market in Europe. The report includes statistics on European ESG bond and loan issuance, carbon prices, global ESG funds and ESG price premia.

Environmental Social Governance | Market-wide

United Kingdom

(15 August 2023) The **Green Finance Institute** (GFI) published advice to the UK government on how the UK Green Taxonomy can be applied to policy decisions while mobilising capital required to reach net zero. Earlier in the month (2 August 2023), the GFI published the Green Technical Advisory Group's roadmap on how the UK Green Taxonomy can stimulate net zero-aligned investment to protect environmental objectives.

Environmental | Market-wide

(8 August 2023) The **University of Exeter's Economics of Energy Innovation and System Transition** project released a report, **Net Zero Transition Planning for Pension Funds and Other Asset Owners**, highlighting the importance of pension funds in achieving a transition to net zero. One of the key points raised was that portfolio management focuses too heavily on backward-looking financial data to adequately address forward-looking climate issues.

Environmental | Asset managers Pensions

(August 2023) The **Financial Times** and the **Chartered Governance Institute UK & Ireland** published their **FTSE 350 Boardroom Bellwether 2023** yearly survey that seeks to gauge the sentiment inside British boardrooms. It canvasses the views of FTSE 100 and FTSE 250 company secretaries to find out how boards are responding to the challenges of the economy, market conditions and the wider business and governance environment.

Governance | Market-wide

ADVOCACY GROUP PUBLICATIONS

International

(3 August 2023) The **London School of Economics Grantham Research Institute on Climate Change and the Environment** published commentary on the role of central banks and financial supervisors in the context of Article 2.1(c) of the Paris Agreement, which requires governments to "*make financial flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development*". The Grantham Research Institute recommends several ways in which central banks and financial supervisors can support this process, including adjusting policy frameworks to include better climate stress-testing and support Paris Agreement-aligned lending practices and ensuring that financial institutions deliver credible net zero transition plans.

Environmental | Market-wide

Africa

(27 July 2023) The **African Impact Investing Group** announced their launch aimed to accelerate an impact investing ecosystem across Africa and to strengthen collaboration by bringing together the Africa National Advisory Boards for Impact Investing.

Environmental Social | Market-wide

United Kingdom

(29th August 2023) **ShareAction** published a [letter](#), signed by 24 investors, to call upon the International Sustainability Standards Board to make human capital and human rights a priority for its next set of global reporting standards.

Social | Market-wide

United States of America

(8 August 2023) **Friends of the Earth US** and partners published three briefing papers within the Protecting Biodiversity from Harmful Financing series. The briefing papers call upon banks and financiers to prohibit direct and indirect financing to harmful activities which negatively impact [marine and coastland ecosystems](#), [indigenous peoples](#) and [transboundary ecosystems](#).

Environmental Social | Banks Financial institutions

CLIFFORD CHANCE BRIEFINGS AND BLOGS

- (23 August 2023) Clifford Chance Blog: [The FCA has set out its plans for mandatory sustainability disclosure requirements for UK-listed companies](#)
- (18 August 2023) Clifford Chance Blog: [Montana Court Rules in Favor of Young Plaintiffs in Significant Climate Decision](#)
- (3 August 2023) Clifford Chance Report: [Responsible Business Report 2023](#)
- (1 August 2023) Clifford Chance Comment: [Mandatory climate-related financial disclosure is coming for Australia](#)
- (26 July 2023) Clifford Chance Blog: [Greenhushing: why are companies shying away from publicising their green initiatives](#)

CLIFFORD CHANCE PODCASTS (Podcasts older than three months can be found in the [Podcasts Library](#))

- (17 August 2023) Construction Law Conversations: [Energy Transition projects in Asia Pacific - Wind projects \(Part 1\)](#)

CLIFFORD CHANCE EVENTS - Recordings (Recordings older than three months can be found on the [Financial Markets Toolkit](#))

Global Financial Markets Perspectives Series

- (17 October 2023) Global: Sustainability reporting across borders – best practice in addressing global trends (online) | [Register](#)
- (2 November 2023) Global: Energy transition – opportunities and challenges in offshore wind (online) | [Register](#)
- (7 November 2023) Global: Legal challenges for the fashion, luxury brand and retail sectors (online) | [Register](#)
- (5 December 2023) Global: Space tech for smart cities (online) | [Register](#)

CONTACTS



Sophie Hughes
Knowledge Director
London

T +44 207006 2022
E sophie.hughes
@cliffordchance.com



Clare Burgess
Partner
London

T +44 207006 1727
E clare.burgess
@cliffordchance.com



David Alfrey
Lawyer
London

T +44 207006 4559
E david.alfrey
@cliffordchance.com



Alexandra Davidson
Global Head of Funds &
Investment
Management
London

T +44 207006 2581
E alexandra.davidson
@cliffordchance.com



Caroline Dawson
Partner
London

T +44 207006 4355
E caroline.dawson
@cliffordchance.com



Mathias Elspaß
Partner
Düsseldorf

T +49 211 4355 5260
E mathias.elspass
@cliffordchance.com



Gregor Evenkamp
Partner
Munich

T +49 89 21632 8800
E gregor.evenkamp
@cliffordchance.com



Thais Garcia
Partner
São Paulo

T +1 212 878 8497
E thais.garcia
@cliffordchance.com



Kate Gibbons
Partner
London

T +44 207006 2544
E kate.gibbons
@cliffordchance.com

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www.cliffordchance.com

Clifford Chance, 10 Upper Bank Street,
London, E14 5JJ

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London, E14 5JJ

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Nigel Howorth
Practice Area Leader
Real Estate
London
T +44 207006 4076
E nigel.howorth
@cliffordchance.com



Nadia Kalic
Partner
Sydney
T +61 2 8922 8095
E nadia.kalic
@cliffordchance.com



Daud Khan
Partner
Abu Dhabi
T +971 2 613 2320
E daud.khan
@cliffordchance.com



Anna Kirkpatrick
Director
London
T +44 207006 2069
E anna.kirkpatrick
@cliffordchance.com



Roger Leese
Partner
London
T +44 207006 8710
E roger.leese
@cliffordchance.com



Rae Lindsay
Partner
London
T +44 207006 8622
E rae.lindsay
@cliffordchance.com



Viola Lui
Partner
Hong Kong
T +852 2825 8842
E viola.lui
@cliffordchance.com



Steve Nickelsburg
Partner
Washington, D.C.
T +1 202 912 5108
E steve.nickelsburg
@cliffordchance.com



Jeroen Ouwehand
Partner
Amsterdam
T +31 20 711 9130
E jeroen.ouwehand
@cliffordchance.com



Sonya Pauls
Partner
Munich

T +49 89 21632 8550
E sonya.pauls@cliffordchance.com



Natsuko Sugihara
Partner
Tokyo

T +81 3 6632 6681
E natsuko.sugihara@cliffordchance.com



Thomas Voland
Partner
Düsseldorf

T +49 211 4355 5642
E thomas.voland@cliffordchance.com



Cheng Li Yow
Partner
London

T +44 207006 8940
E chengli.yow@cliffordchance.com



Deborah Zandstra
Partner
London

T +44 207006 8234
E deborah.zandstra@cliffordchance.com