# ESG NEWS YOU CAN USE

January 21, 2024

*****Starting next week, we will be changing the newsletter's name to "Finpublica's News You Can Use" and begin publishing on Mondays*****

## *Regulation and Reporting*

**The European Parliament passed a law banning misleading environmental claims and greenwashing on products.** The legislation seeks to help consumers make better purchasing decisions by protecting them from marketing practices deemed misleading. Terms like "biodegradable" and "environmentally friendly" are now prohibited absent specific evidence, while claims of products being climate neutral or positive are banned due to CO2 emissions offsetting schemes. EU member states are expected to apply the law within the next two years.

**EU lawmakers reached a provisional agreement on proposed new emissions rules for heavy-duty vehicles.** The agreement includes a 90% emissions reduction for heavy trucks by 2040, with staggered interim requirements of 45% from 2030 and 65% from 2035. The regulation, which contains certain exemptions, will now be submitted to representatives of the member states. Heavy duty vehicles are responsible for more than 25% of road transportation GHG emissions in the European Union.

**Australia has introduced draft legislation that would require climate-related reporting by large and medium sized companies.** These requirements would include reporting on climate-related risks and opportunities, as well as greenhouse gas emissions across the value chain. The proposed legislation is based on the recently released ISSB standards, with some tweaks to certain requirements such as the nature of Scope 3 disclosures and reporting by companies without material climate-related issues.

**Republican lawmakers in New Hampshire have proposed legislation that would criminalize the consideration of ESG factors by state funds.** Representatives introduced two new proposals, including HB 1267 which would make it a crime for the state's treasury, pension fund, and executive branch to knowingly allocate investments considering environmental, social, and governance factors. The Treasury Department noted that the law could conflict with other laws requiring it to maximize financial benefits, while the state's retirement system stated that such restrictions could lower investment returns. Critics of the bill argue that similar proposals have been projected to result in billions of dollars in losses, and that ESG-based investing analysis enhances long-term investment potential, as criteria like climate change and positive worker treatment are factors that strengthen a company's business model.

## *Investing*

**U.S. based sustainable funds saw $13 billion in outflows in 2023,** with a single passively managed fund accounting for $9 billion of those withdrawals. Experts have attributed these outflows to lagging returns (due to macroeconomic pressures), green washing concerns, and political scrutiny of ESG. Still, overall sustainable fund assets increased to $323 billion in 2023 – up 18% as a result of market gains.

**Fidelity has announced a new sustainable investment approach.** The framework focuses on four themes: (1) nature loss, (2) climate change, (3) governance, and (4) social disparities. These themes will help guide the firm's engagement activities with companies and regulators.

**A group of 27 investors in Shell has submitted a resolution calling on stricter climate targets from the energy company,** including a credible Scope 3 emissions target. The effort is spearheaded by activist shareholder Follow This, and includes such investors as Amundi and Scottish Widows. The pressure on Shell's climate strategy comes as the company decreases investment in renewables and increases fossil fuel production. The resolution will be voted on at Shell's May annual meeting.

**General Atlantic is acquiring sustainable infrastructure investor Actis.** The merger occurs as leading asset managers are turning toward rapidly growing infrastructure opportunities driven by energy transition and decarbonization themes. The deal follows last week's $12.5 billion acquisition of GIP (a leading infrastructure investment firm) by BlackRock.

**Barclays announced a new Energy Transition Group for its Corporate and Investment Bank.** The group focuses on advising clients in energy transition opportunities and net zero solutions. The team will assist clients on a variety of areas including carbon capture, hydrogen, renewables, renewable natural gas, nature-based solutions, and energy transition finance.

## *Resources & Membership*

Finpublica's **membership portal** is live. If you are interested in joining a community more than 250 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

**Are you interested in a quick summary of greenhouse gases, how they are categorized, and ways they can be reported?** Check out this new addition to Finpublica's website.

**Click here for a video replay of How to Make an Impact in Impact Investing, sponsored by Finpublica, The Impact Capital Forum, and Harvard Alumni in Impact.** Learn about the top questions impact investors should ask when assessing investments, impact opportunities in biotech, biodiversity, and underserved urban areas, the importance of blended finance and catalytic capital, and more. Speakers include: (1) Dr. Caroline Flammer, Professor of International and Public Affairs and of Climate at Columbia University; (2) Karyn Polak, Founder of Shift the Prism Advisory and the former General Counsel of Transamerica; and (3) Tami Kesselman, CEO of Next Gen Success LLC and President of Harvard Alumni in IMPACT.

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