ESG NEWS YOU CAN USE

February 19, 2024

Regulation and Reporting

Three of China's major stock markets – the Beijing Stock Exchange (BSE), Shanghai Stock Exchange (SSE), and Shenzhen Stock Exchange (SZSE) – have introduced new sustainability reporting guidelines for listed companies. The new guidelines focus on four core topics, including governance, strategy, risk management, and metrics and targets. The topics mark a shift to a "double materiality" approach to sustainability reporting, which considers both the impact of sustainability issues on an enterprise and the enterprises' impact on society. While the guidelines have strengthened their GHG disclosure requirements, disclosure of Scope 3 emissions will remain voluntary. Other topics covered by the disclosures include climate adaptation and transition, support of China's national development strategies, and anti-bribery/corruption. Approximately 500 companies on the SSE and SZSE will be subject to mandatory disclosures starting in April of 2026, while other listed companies will be encouraged to voluntarily report.

According to CEO Magazine, global sustainability reporting requirements will have a seismic impact on c-suites and boardrooms, requiring executives and directors to focus on climate disclosure strategy, governance, targets, and risks to obtain access to international financing. The article summarizes steps companies can take to adapt, such as automated reporting, scenario planning, and incorporating climate performance into bonus structure. For those companies beginning the process, the article recommends that they strategize (selecting a reporting framework and defining accountability), mobilize (using tech-enabled reporting), and communicate (focusing on transparency and considering independent vetting of reporting).

JPMorgan Asset Management announced that it is not renewing its membership in the Climate Action 100+, citing the development of the firm's own engagement capabilities allowing it to act independently. According to JPM, it has a team of 40 dedicated sustainable investing professionals and, in 2022 alone, was involved in more than 780 climate-focused engagements. And, the firm continues to list climate change as one of its primary investment stewardship priorities posing the most significant investment risks and opportunities. While a number of investors have withdrawn from the Climate Action 100+ following attacks by anti-ESG politicians, several firms like JP Morgan have stressed that they are continuing to focus on climate change despite exiting the organization.

Investing

Barclays announced that it will cease to directly finance new oil and gas fields, while implementing lending restrictions for energy companies expanding fossil fuel production. Barclays, the UK's largest oil and gas industry lenders, introduced this policy as part of its Transition Finance Framework (TFF), after facing pressure over its energy policy from various campaigners. Starting in 2025, the bank will also reduce broader financing for non-diversified companies (*e.g.,* those focused on pure-play exploration) if over 10% of their expenditure goes toward expanding long-term fossil fuel production. As a result of Barclays's new policies, ShareAction has withdrawn a proposed shareholder resolution seeking to stop the bank from funding new expansion projects.

21 UK universities have called on banking providers to increase investments in net-zero initiatives and cease financing fossil fuel projects. The universities, which are threatening to shift their deposits to greener banks, have asked their financial institutions to create environmentally responsible money market and deposit accounts and to halt new financing of fossil fuel supply.

Goldman Sachs Asset Management (GSAM) has introduced a new exchange-traded fund (ETF) focused on global green bonds. The ETF is classified as Article 9 under the SFDR and tracks the Solactive Global Green Bond Select index, which screens bonds and issuers on controversy, project, and sector exclusions, and analyzes climate transition policies.

Japan plans to issue $11 billion in climate transition bonds to fund Japan's Green Transformation program. The bonds, which are certified under the Climate Bonds Standard, will allocate approximately 55% of the proceeds to support R&D initiatives focused in limiting rise in temperature to 1.5°C and use the remainder to subsidize such activities as battery manufacturing and increasing the energy efficiency of buildings.

The International Capital Markets Association (ICMA) has issued a new report on transition financing, focusing on how sustainable bonds are financing the transition and exploring ways to further scale their contribution. The paper identifies three key kinds of transitions: economy-wide transition, climate transition, and hard-to-abate transition. The report voices a hope for more expansion of transition finance in the sustainable bond market, with conceptualized technologies and projects, creation of jurisdictional pathways for transition trajectories, and the growth of corporate sustainability reporting standards that promote mainstreaming of transition plans.

Events, Resources & Membership

Join us virtually on March 1, 2024 (11am ET) for a timely discussion on "Promoting Sustainability, Equity, and the Freedom to Invest in Today's Environment." Learn how investors are responding to attacks on the ability to consider environmental, social, governance, diversity, and other sustainability-related issues, and why they see protecting the freedom to invest as critical to the capital markets. Speakers include Steven Rothstein (Managing Director, Ceres Accelerator for Sustainable Capital Markets); Rachel Robasciotti (Founder & CEO, Adasina Social Capital); Heidi Ridley (Co-Founder & CEO, Radiant Global Investors); and Rachel Kahn-Troster (Executive Vice President, Interfaith Center for Corporate Responsibility).

Finpublica continues to expand its exploration of ESG/sustainability regulation around the globe with an eye on the State of California. Visit our website for short summaries and updates of four recently enacted pieces of legislation creating reporting requirements for greenhouse gases, climate risks, carbon credits, and portfolio company diversity.

Finpublica's **membership portal** is live. If you are interested in joining a community nearly 300 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

***