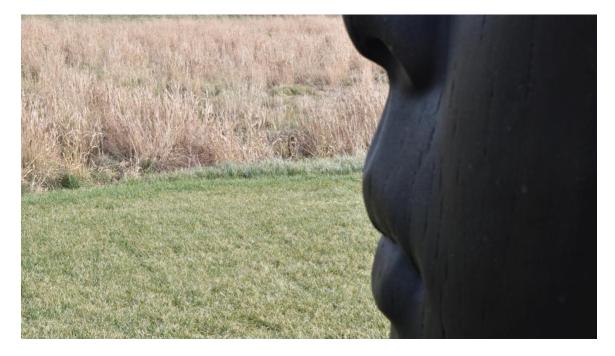


FINPUBLICA NEWS YOU CAN USE

February 12, 2024



Regulation and Reporting

This past week saw the release of several new sustainability ratings reports, including by <u>the CDP</u>, <u>S&P Global</u>, <u>Morningstar</u>, and <u>Just Capital</u>.

The CDP A-List includes the top 400 companies based on the CDP's environmental disclosure evaluation. The S&P Sustainability Yearbook Rankings includes approximately 760 (out of 9400) companies with S&P's highest Corporate Sustainability Assessment scores. The Morningstar report rates the ESG commitment levels of nearly 100 asset managers. And the JUST 100 lists the top 100 public companies evaluated based on 20 different factors (such as paying a fair wage, protecting workers, treating customers fairly, minimizing pollution, and promoting a diverse and inclusive workforce).

The European Parliament and Council have reached a provisional agreement on regulating ESG ratings providers. This new regulation would require EU-based ratings providers to be authorized and supervised by ESMA (the European markets regulator) and adhere to measures to promote transparency and reduce conflicts of interests. The proposal also includes alternate requirements non-EU ratings providers to operate in the EU (such as being endorsed by an EU-authorized provider or subject to an equivalence decision). Formal adoption by the EU Council and Parliament is pending, with the rules expected to be implemented 18 months later.

The European Commission has recommended a climate target of cutting greenhouse gas emissions by 90% by 2040, as part of its transition to carbon neutrality by 2050. However, the proposal faces challenges from industry backlash, political polarization, and the upcoming EU elections, which may influence whether or not it is ultimately adopted. At the same time, environmental groups have criticized the plan for over relying on carbon capture technology and lacking a more aggressive stance on fossil fuel phase-outs.

<u>Moody's Investors Service launched its Net Zero Assessment (NZA), a</u> <u>scoring system to help investors gauge companies' decarbonization</u> <u>efforts.</u> The NZA uses a 5-point scale, evaluating a company's GHG reduction profile relative to the Paris Agreement's goals, along with its emission reduction plans and governance. This tool is meant to address the difficulties in comparing decarbonization plans across companies.

Investing

Brookfield Asset Management has successfully secured \$10 billion for its second Brookfield Global Transition Fund (BGTF II), aiming to surpass its prior \$15 billion fund focused on the net-zero economy. This initiative is centered on increasing clean energy, transforming carbon-intensive industries, and advancing sustainable practices. It includes investments in such projects as onshore renewables in the UK and solar developments in India. The fund addresses the growing global demand for decarbonization technologies, aiming for both substantial environmental benefits and robust financial returns. According to Brookfield, its inaugural fund achieved GHG reductions exceeding the annual emissions of London, New York City, and Toronto combined.

Environmental

In 2023, Greece achieved a historic milestone in clean energy with renewable energy sources —including wind, solar, and hydroelectric power—accounting for 57% of its energy mix, a significant increase from 50.12% in 2022. This record reflects a 147% increase in green energy production since 2014. The coverage of Greece's total energy demand by renewables also reached an all-time high of over 43%, alongside a notable reduction in lignite (a type of coal) use to 10.1%, indicating continued progress in the country's shift towards more sustainable energy sources. The U.S. Postal Service (USPS) announced new sustainability targets as part of their Delivering for America plan, with the goal of reducing emissions and waste by 2030. These targets include a 40% reduction in Scope 1 and 2 emissions (from fuel and electricity) and a 20% reduction in Scope 3 value chain emissions. USPS aims to divert 75% of waste from landfills, increase recycled content in packaging to 74%, enhance package recyclability to 88%, and boost renewable energy use to 10%. These initiatives are supported by investments in automation, technology, and vehicle upgrades and are designed to decrease costs, minimize waste, and significantly lower the USPS's carbon footprint.

A recent survey by Salesforce and GlobeScan reveals a significant gap between the importance senior business executives place on sustainability for their organizations' success and the integration of sustainability into their operations. Despite 90% of executives considering sustainability crucial to commercial success, only 37% see it as highly integrated into their businesses. The study highlights such obstacles as inadequate sustainability data, limited collaboration between finance and technology, and insufficient capital allocation.

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 sustainabilityrelated 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).

Are you interested in learning more about the EU's Carbon Boarder <u>Adjustment Mechanism?</u> If so, check out the latest addition to Finpublica's <u>website</u>, which describes how the tariff will work during the transition period through 2025 (which focuses on reporting) and its phase-in starting in 2026.

Finpublica's <u>membership portal</u> 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.

If you would prefer not to receive this newsletter, please email <u>awasserman@finpublica.org</u>. Finpublica is a 501(c)(3) organization located in Hastings on Hudson, NY, 10706.