FINPUBLICA NEWS YOU CAN USE

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March 1st Panel Discussion

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).

Regulation and Reporting

The European Council has finalized the adoption of a directive aimed at safeguarding consumers against deceptive green claims and greenwashing tactics, which includes prohibiting unverified generic environmental assertions like "environmentally friendly" or "biodegradable," as well as claims based on emissions offsetting schemes. The directive supplements existing regulations by incorporating green transition and circular economy-related aspects to protect consumers from misleading advertising practices. Key provisions entail clearer product labeling, regulation of sustainability labels, and rules concerning product durability (including mandatory guarantee information and bans on unfounded durability claims). Once the directive is signed and published, member states will have two years to adopt national laws integrating the rules.

New Hampshire lawmakers have rejected two bills, SB 520 and HB 1267, aimed at limiting public institutions like the New Hampshire Retirement System from considering ESG factors in their investment strategies. The house bill had even threatened state fiduciaries with criminal action. Investors, trade groups, and fiduciaries opposed the bills, warning of financial risks to pensioners and taxpayers.

Unlocking America's Future recently compiled research demonstrating the detrimental impact that anti-ESG legislation may have on states and their investments. According to UAF, state bills restricting the freedom to invest could: (1) reduce Kansas Public Retirement System returns by \$3.6 billion; (2) result in the Arkansas Public Employees Retirement System losing \$30-\$40 million each year; (3) cost the Oklahoma Public Employees Retirement System nearly \$10 million in taxes, fees, and commissions; (4) cost Texas municipalities \$500 million in additional interest in its first eight months of enforcement; and (5) result in \$700 million in excess interest payments in Kentucky, Florida, Louisiana, Oklahoma, West Virginia and Missouri.

The article *Q&A: With EU Climate Rules in Effect, Can ISSB Standards Help Companies Prepare?* examines how companies can bridge the differences between the International Sustainability Standards Board's (ISSB) and European Sustainability Reporting Standards (ESRS). Kristen Sullivan, Robert G. Eccles, and Kerstin Lopatta discuss the different reporting requirements, emphasizing the need for an enterprise-wide approach and a rigorous focus on materiality. They highlight the differences between financial and impact materiality (single vs. double) and discuss steps for navigating the ISSB and ESRS standards.

In The Future of ESG: Thoughts for Boards and Management in 2024, Martin Lipton and his colleagues at Wachtell Lipton Rosen & Katz discuss how the decline in the use of the acronym "ESG" due to its politicization represents the concept's evolution and not its demise. The article opines that companies and investors may now have more flexibility to take a surgical approach to such issues as climate, sustainability, and diversity and implement targeted strategies focused on long-term sustainable value creation. The authors emphasize five key principles for boards and management navigating this evolving landscape: (1) prioritizing those issues that are of highest value to the business; (2) focusing on responsive actions to risks and opportunities given the regulatory landscape (demonstrated by the SEC's proposed rules, the ISSB's standards, and the crackdown on greenwashing); (3) balancing stakeholder priorities in pursuit of superior performance and long-term value creation, (4) preparing for and addressing public criticism, and (5) maintaining close communication with investors.

Investing

S&P Global Ratings has forecasted a moderate growth in issuance volumes of green, social, sustainability, and sustainability-linked bonds (GSSSB) to around $1 trillion in 2024. The report also anticipates an expansion in bond types, with green bonds remaining dominant, but transition and blue bonds gaining prominence. S&P expects that Europe will remain the leading region for GSSB issuance and that issuers from emerging markets and Asia will also gain traction. The report predicts that North America will continue to face headwinds from macro and political pressures, though these may be offset by the Inflation Reduction Act, investor focus on decarbonizing difficult to abate sectors, and an increase in issuances by municipalities. Overall, as the sustainable bond market matures, S&P expects that the growth trajectory for GSSSBs will more closely align with the conventional bond market.

The California Energy Commission has approved a $1.9 billion investment plan through 2027 to bolster infrastructure for zero emissions vehicles and transportation in the state. The plan aims to address the significant contribution of transportation to California's greenhouse gas emissions and air pollution levels. With goals for carbon neutrality in transportation by 2045 and requirements for zero emissions vehicle sales by 2035, the plan outlines investments in battery electric and hydrogen fuel cell infrastructure, EV charging stations, port infrastructure, and workforce development.

Verizon Communications Inc. has released its Green Bond Impact Report, detailing the allocation of nearly $1 billion in net proceeds from its fifth green bond issued in May 2023. Verizon has issued $5 billion in green bonds to date to help it achieve net zero emissions in operations by 2035. The company has allocated the latest bond's proceeds to Renewable Energy Purchase Agreements (REPAs) for renewable energy solar and wind projects in five states. With 27 REPAs totaling approximately 3.6 GW, Verizon is positioned to surpass its 2025 target of sourcing 50% of total annual electricity consumption from renewable energy and aims for 100% by 2030.

The California Endowment, a non-profit dedicated to improving healthcare access, plans to transition its $4 billion assets into mission-aligned investments, following examples set by the Heron Foundation and the Nathan Cummings Foundation. The endowment stated that it is looking to intentionally invest its capital in things it believes in and support underserved communities' power and resilience. Other foundations like Ford and McKnight have also shifted significant assets into impact investing.

Environmental

The paper *China's role in accelerating the global energy transition through green supply chains and trade* opines that China's dominant position in global green manufacturing (especially in electric vehicles, lithium-ion batteries, and solar panels) offers emerging markets opportunities to enhance their integration into clean energy technology supply chains through intra-regional trade. The article highlights China's role in supporting the energy transition in other countries in the region. It emphasizes the importance of managing geopolitical implications related to transition critical materials (TCMs) and strengthening international coordination of supply chains. Collaboration between China and the Association of Southeast Asian Nations (ASEAN), including through initiatives like the Regional Comprehensive Economic Partnership (RCEP), is deemed essential for fostering a just energy transition. Still, renewable energy financing remains a challenge in the region due to insufficient policy and financial support from government agencies and banks in the PRC.

Resources & Membership

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 300 finance leaders focused on sustainable finance and ways to implement initiatives inside their organizations and across the industry, we invite you to apply.

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