

ESG View

January 2024

25 January 2024



Welcome to the January Edition of ESG View!

This year's global sustainability agenda got off to a roaring start with the annual World Economic Forum (WEF) meeting in Davos last week. The annual meeting was accompanied by the release of the [Global Risk Report 2024](#), which provided a stark warning that extreme weather events will be high on the risk radar both in the short and long term. It comes as little surprise given [recent news](#) that 2023 was the hottest year since records began.

However, the WEF meeting also saw positive news, with the Taskforce on Nature-related Financial Disclosures (TNFD) [announcing](#) that 320 organisations have committed to be early adopters of the framework. This commitment means we will see TNFD-aligned disclosures as early as the end of this financial year.

On the nature theme, this month Simmons & Simmons have launched a new 18-part podcast series in partnership with the [Marine Conservation Society](#) called [Seas of opportunity: navigating the Blue Economy](#). They will be short episodes but 'sea' soned with insights on conservation, regulation and investment relating to SDG 14: Life Below Water. You can listen to the first episode [here](#) and we encourage you to join us on this ocean adventure by tuning in throughout the year.

Another notable development from this month was the European Parliament overwhelmingly voting to adopt a [new anti-greenwashing law](#) (as covered in our [October ESG View](#)). These new rules will likely create a ripple effect globally by requiring more robust and transparent environmental claims in commercial marketing materials.

In this edition of ESG View, we will cover some of the key stories you may have missed from December, as well as updates from January. To remedy any withdrawal symptoms you may feel post the holiday season, we have a healthy dose of global disclosure and regulatory developments from Europe, UK and Asia. We also have exciting news on sustainable investment from the MENA region, your monthly disputes round-up and a plethora of live consultations.

We hope you have a great start to 2024.

Best wishes,



Sonali Siriwardena

Partner, Global Head of ESG

T +44 20 7825 4595

E Sonali.Siriwardena@simmons-simmons.com



GLOBAL DEVELOPMENTS

1. UN PRI publishes new guides for the new year (asset management)

-  **What:** On 9 January, the United Nations Principals for Responsible Investment (PRI) published two updated guides on [human rights](#) and [corporate governance](#) for asset owner staff and their advisers.
-  **Key details:** The human rights guide provides a useful summary of the relevance of human rights issues for asset owners, whilst the one on corporate governance focuses on corporate governance expectations and requirements for listed companies, but also briefly covers those applicable to private firms. It also considers the relevance of corporate governance and sets out approaches asset owners can take to promote robust corporate governance practices among investees.
-  **Our view:** With the increasing regulatory focus on governance, oversight and corporate responsibility in supply chains, firms should review these guidelines and implement any adjustments needed to enhance existing policies and processes.

2. Publication of the First Global GHG Accounting and Reporting Standard for Capital Markets (financial institutions)

-  **What:** In December, the Partnership for Carbon Accounting Financials (PCAF), which is an industry-led financial sector initiative, published the first-ever [“Global Greenhouse Gas \(GHG\) Accounting and Reporting Standard for Capital Markets \(Part B\)”](#) (Facilitated Emissions Standard), that will account for carbon emissions associated with capital market deals completed by banks globally. This is the final of the three GHG standards developed by the PCAF, the former being [“Part A- Financed Emissions”](#) and [“Part C- Insurance-Associated Emissions”](#).
-  **Key details:** The Standard covers loan syndication and the primary issuance of capital markets instruments, which refers to new securities to provide debt-based or equity-based financing, including new issuance of various types of bonds issued for general purposes, common stock, equity and debt investments in private companies, preferred shares and syndicated loans.

Notably, this Standard requires financial institutions to “report their facilitated emissions using a 33% weighting factor and disclose the applied weighting factor clearly in its public reports” with the option to disclose 100% of facilitated emissions separately and with clear rationale.
-  **Next steps:** On 16 January, the PCAF announced areas for [standard development in 2024](#), which include transition finance and green finance, fluctuations in absolute GHG inventory, additional insurance products, and securitised and structured products. Keep an eye out for these over the coming months on the [PCAF website](#).

EUROPEAN DEVELOPMENTS

1. EU Taxonomy related developments (financial institutions)

-  **What:** In December 2023, the European Commission published a [draft notice](#) containing Frequently Asked Questions (the 2023 FAQs) to help interpret and implement certain legal provisions under the EU Taxonomy Regulation.
-  **Key details:** The 71 FAQs contained in the 2023 FAQs are divided into (1) General Questions and (2) Questions related to specific financial undertakings. More information is contained in our [detailed note](#).
-  **Our view:** The 2023 FAQs provide clarity to financial undertakings on a number of important points as they prepare for the first year of reporting Taxonomy-alignment. It is interesting that several of the FAQs refer to the difficulties that financial undertakings will face in respect of the availability and accuracy of counterparty data.

2. EU reaches provisional agreement on the Ecodesign for Sustainable Products Regulation (multi-sector)

-  **What:** In December, the European Parliament and the Council reached [provisional agreement](#) on the [Ecodesign for Sustainable Products Regulation](#) (ESPR). ESPR aims to make products sold in the EU, including a broad range of end-use products like textiles, furniture, toys, as well as intermediary products like iron, steel and plastics, subject to performance and information-related requirements, to ensure greater sustainability.
-  **Key details:** The agreed ESPR requirements aim to improve circularity, covering, among others things:
- Product durability, reusability, upgradability, and repairability.
 - The presence of chemical substances that prevent reuse and recycling of materials.
 - Recycled content of products.
 - Carbon and environmental footprints.
 - Available product information. The ESPR introduces a “Digital Product Passport”, an easily accessible tag on products providing instant access to its sustainability information. These are intended to support consumer purchasing choices and to promote transparency to facilitate repairs and recycling.

Notably, the ESPR also introduces a direct ban on destruction of unsold textiles and footwear products, with an expectation that this rule will be expanded to other sectors in the future. Large companies will be expected to disclose annually how many unsold consumer products they discard.

-  **Our view:** This Regulation, when combined with extended producer responsibility obligations, the [General Product Safety Regulation \(EU\) 2023/988](#) governing product safety in modern supply chains, and the proposed new [Product Liability Directive](#), demonstrate the EU’s commitment to increasing product regulation and liability, for the protection of consumers and the environment. They create very significant additional obligations on producers and other economic operators in the supply chain.

 **Next steps:** the European Parliament and the Council will now have to formally adopt the regulation prior to it being published in the Official Journal and entering into force. Once the ESPR is in force, further work will be done to finalise the list of products to fall under the new rules.

3. France publishes revised SRI label standards (asset management)

 **What:** On 12 December, the French Ministry of the Economy and Finance published the full framework for the [revised Socially Responsible Investment \(SRI\) label](#). Further background to this update can be found in our [November ESG View](#).

 **Key details:** The SRI standards are evolving in three major ways:

- Firstly, the SRI label will be more selective, while retaining its generalist nature. From now on, funds will have to exclude the 30% of companies in the investment universe with the lowest ESG ratings, instead of the current 20%.
- Secondly, there is a systematic requirement for double materiality in the management of labelled funds, in line with the EU Sustainable Finance Disclosure Regulation (SFDR). Investments made by labelled funds will have to take into consideration the principal adverse impacts (PAI) of issuers, in accordance with article 7 of the SFDR.
- Lastly, this version now includes a climate dimension in its base, by excluding companies that exploit coal or non-conventional hydrocarbons, as well as those that launch new projects to explore, exploit or refine hydrocarbons (oil or gas). In addition, the SRI label should help companies to make the transition, with the aim of gradually bringing SRI portfolios into line with the Paris Agreement.

 **Timing:** The new standards will come into force on 1 March 2024. For funds already using the SRI label, there will be a transition period to comply until 1 January 2025 and for funds in the process of being labelled on 1 March 2024, the initial audits will have to refer to the new standard.

4. France removes from the exclusion list the nuclear sector of the Greenfin Label standards (asset management)

 **What:** On 8 January, the French Ministry for Ecological Transition and Territorial Cohesion published the [new Greenfin label standards](#). This new standard now includes nuclear energy in its eligible activities.

 **Key details:** As a result, the nuclear sector is no longer considered to be excluded from up to 5% of the turnover generated by the investments of a fund wishing to be awarded the Greenfin label. Nuclear energy has been defined as follows *"all economic activities enabling the production of energy from nuclear technology, including fuel cycle and radioactive waste management technologies (in accordance with current European regulations (EURATOM directive 2011/70) or equivalent)"*. This development is consistent with the nuclear energy sector's eligibility for the EU Taxonomy.

 **Timing:** The new Greenfin label standards have come into force on 23 January 2024.

UK DEVELOPMENTS

1. FRC publishes the revised UK Corporate Governance Code (multi-sector)

 **What:** On 22 January, the Financial Reporting Council (FRC) published the revised [UK Corporate Governance Code](#) (the Code). As expected, the main change relates to internal controls. This is in line with the policy update published by the FRC on 7 November confirming that it would not proceed with the majority of the changes proposed as part of the consultation process (see more detail [here](#)). From 1 January 2026, boards will be required to provide in the annual report an explanation of how they have monitored and reviewed the effectiveness of internal controls, alongside a declaration on the effectiveness of material controls at the balance sheet date. Other more minor changes will come into effect on 1 January 2025.

You can read further detail on the revised Code in our Corporate Governance update (due to be published at the end of the month). If you'd like to receive a copy of this update once published, please do reach out to our [ESG Team](#).

2. UK to introduce a carbon border adjustment mechanism "by 2027" (multi-sector)

 **What:** On 18 December, the Treasury [announced](#) that the UK will introduce a Carbon Border Adjustment Mechanism (CBAM) "by 2027". A [consultation response document](#) has been published alongside the announcement that provides a summary of responses to a consultation conducted in March 2023.

 **Key details:** The CBAM will apply a carbon price to imported goods from the following sectors: aluminium, cement, ceramics, fertiliser, glass, hydrogen, iron, and steel. The CBAM will be applied to both Scope 1 and Scope 2 emissions. It will also be applied to "*select precursor production emissions embodied in products*", such as emissions in the production of precursor goods by another manufacturer in the supply chain or emissions in transportation by air of finished products by subsequent entities. Full details of the announcement are in our [client note](#).

 **Our view:** The operationalising of CBAM in the UK is likely to be challenging. It is to be hoped that the UK government will adopt a process that is compatible with that of the EU, such that it will not be necessary for multinational enterprises to use different measures for imports of affected products. It will be important for affected businesses to be fully involved in the consultation that is expected to be launched later this year.

MENA DEVELOPMENTS

1. Oman publishes its Sustainable Finance Framework (financial sector)

 **What:** On 10 January, Oman released their [Sustainable Finance Framework](#) (the Framework) with the aim of reducing the country's reliance on fossil fuels and attracting ESG investors.

The Framework aligns with Oman's national strategy, *Oman Vision 2024*, which highlights the protection of the environment and the sustainable consumption of natural resources as a national priority. Oman now joins the likes of other Gulf Cooperation Council nations such as the United Arab Emirates, Saudi Arabia and Kuwait in introducing a sustainable finance framework.

Under the Framework, the Ministry of Finance of Oman (MOF) will issue Social and Sustainability bonds, loans or sukuks whose proceeds will be re-invested into 14 eligible 'use-of-proceeds' categories of green and social projects (outlined in the Framework).

 **Next steps:** A Sustainable Finance Working Group composed of representatives across 13 Omani government bodies will be established by the MOF to support in the process of vetting and distributing proceeds to green and social projects. At the end of each year, so long as there is an outstanding sustainable finance instrument under the framework, the MOF intends to publish a Sustainable Finance Annual Report which will detail the allocation of proceeds and the impact of expenditure.

2. First Abu Dhabi Bank commits AED500 billion in Green Finance by 2030 (multi-sector)

 **What:** On 5 December, the UAE's largest bank, First Abu Dhabi Bank (FAB), [announced](#) that it will lend, invest and facilitate over AED500 billion / USD135 billion in sustainable and transition financing by 2030. FAB's commitment is representative of over half of the combined pledge of AED1 trillion/USD270 billion made by banks in the UAE towards sustainable finance announced by the UAE Banks Federation at COP28. As part of its expanded portfolio, FAB will include transition financing projects and early-stage innovative climate solutions. This new target is an 80% increase over FAB's commitment in 2021 and represents the largest sustainable finance commitment made by any MENA bank to date.

APAC DEVELOPMENTS

1. Dubai Financial Services Authority and the Hong Kong Monetary Authority sustainable finance partnership (financial sector)

 **What:** On 19 December, the Dubai Financial Services Authority (DFSA) and the Hong Kong Monetary Authority (HKMA) [announced](#) a partnership to accelerate sustainable finance across the Middle East and Asia.

 **Key details:** The partnership builds on past collaborations between the two regulators and will work towards a flagship initiative, the Joint Climate Finance Conference, set to take place in Hong Kong in autumn 2024. This event will explore common opportunities and challenges in accelerating the flow of transition financing in the two regions. The agenda is expected to focus on the role of supervisors and central banks in facilitating sustainable capital flows, how best to leverage frameworks and existing innovative green financing solutions (ranging from debt to carbon markets), and the importance of robust international co-operation to effect climate action globally.

2. Hong Kong's Cross-Agency Steering Group announces workplan for green finance (financial sector)

 **What:** Hong Kong's Green and Sustainable Finance Cross-Agency Steering Group (Steering Group) was initiated by the Hong Kong Securities and Futures Commission (SFC) and the Hong Kong Monetary Authority (HKMA) in 2020. On 8 January, the Steering Group [announced](#) its work plan for 2024 and agreed on three key initiatives to capture financing and investment opportunities from the Asia-Pacific Region's low carbon transition.

 **Key details:** The three initiatives outlined by the Steering Group are:

- [Adopting International Financial Reporting Standards \(IFRS\) Sustainability Disclosure Standards locally as appropriate.](#) This will include a roadmap comprising four key areas- (i) sustainability standards and regulations taking into account Hong Kong's capital markets, (ii) establish sustainability assurance, (iii) expand data and technology capabilities, and (iv) enhance skills and competencies.
- [Leveraging technology to support sustainability reporting and data analysis.](#) The Steering Group acknowledged the data challenges that persist as hurdles to sustainable investment and announced new tools that will be launched to support sustainable data needs.
- [Supporting the development of transition finance.](#) The Steering Group will broaden the development of its local taxonomy to cover transition activities, work with regional and international partners on capacity building and elevate Hong Kong's thought leadership in the net-zero transition.

U.S. DEVELOPMENTS

1. Legislators in the U.S. State of New Hampshire introduce anti-ESG bill with criminal sanctions (asset management)

 **What:** On 3 January, state legislators in New Hampshire introduced [Bill 1267- FN](#) into the State House of Representatives, prohibiting the investment of state funds using ESG criteria.

 **Key details:** The Bill covers the investments of the state treasury, executive branch agencies, and the state retirement system. The Bill emphasises that investments decisions must be based on fiduciary duty to maximise financial returns and minimise risk and positions ESG criteria as falling outside of this duty. It requires that all investments be reviewed to ensure no funds are invested using ESG criteria. In addition to this prohibition, the state treasurer and the New Hampshire retirement system would also be required to report annually on compliance with this duty. Notably, the Bill introduces criminal sanctions, stating *“it shall be a felony punishable by not less than one year, and not more than 20 years imprisonment to violate the provisions of this section”*.

 **Our view:** With U.S. presidential primary elections underway and the continued politicisation of “ESG”, we expect a continued ramping up of the debate both in the public arena and within the legislative and judicial space. The public hearings for Bill 1267-FN will take place on 1 February so it remains to be seen whether this Bill will hold weight and impact ESG investing in the State of New Hampshire.

ESG DISPUTES ROUND-UP

Before we dive into our main disputes stories this month, here are a few notable mentions:

- This month Dutch NGO Milieudefensie announced they would be launching a climate lawsuit against ING for its *“inadequate climate policy”*. To read more, check out our ESG Disputes Radar [here](#).
- This month we also saw, a [Norwegian court](#) find in favour of Greenpeace, blocking the development of three North Sea oil and gas fields because the state did not properly assess the impact of future fossil fuel use on climate change.
- In December, BlackRock was sued by the [Tennessee Attorney General](#) claiming BlackRock made false or misleading representations to current and potential Tennessee consumers about the extent to which ESG considerations affect BlackRock’s investment strategies.

Remember, you can keep up to date with contentious ESG news as and when it happens by signing up to our [ESG Disputes Radar](#).

1. NGOs launch legal challenge against EU’s bid to label fossil fuel planes and ships as ‘green’

 **What:** Opportunity Green, an environmental NGO, and other NGOs have [announced legal action](#) in response to the EU's decision to categorise fossil fuel-powered planes and ships as green investments (namely ‘transition activities’) under the Taxonomy rules. The NGOs claim that the criteria for this classification are weak and not based on robust scientific evidence, which could lead to more pollution and contradict the EU's climate targets. The NGOs state that, given the expected lifespans of planes and ships range from 20-50 years, the Taxonomy could drive investment to fossil fuel based planes and ships for years to come. The EU Commission’s response to this complaint is expected in May-June 2024.

 **Our view:** This isn’t the first complaint which has been made against the EU Commission’s classification of investments under the Taxonomy Regulation. In September 2022, it received 2 separate complaints from NGOs seeking to prevent the Commission from including gas and nuclear energy in the Taxonomy (see our article [here](#)). The Commission refused those complaints, and the NGOs are now taking the Commission to Court.

If these legal actions are refused, this could have long-term implications for the credibility of sustainable finance, as it may direct investments toward activities that are seemingly detrimental to climate goals. The trend of legal challenges also indicates a growing scrutiny of environmental legislation and a push for more stringent standards aligned with the Paris Agreement.

2. Hops or Hypocrisy? ASA challenges Brewdog's carbon-negative claim

 **What:** On 20 December, the UK's Advertising Standards Authority (ASA) censured beer producer Brewdog over an Instagram post which depicted a childlike drawing of a burning Earth with slogans promoting Brewdog's claim of being a carbon-negative company. The ASA criticised the advert for not providing enough context for its environmental claim, which it decided could potentially mislead consumers about the extent of Brewdog's sustainability efforts.

Brewdog defended its approach, citing that the Instagram post included a link that directed consumers to a more detailed explanation of their carbon-negative status, supported by their Positive Planet certification. However, the ASA found this to be insufficient, as the advert itself lacked the necessary qualifying information to prevent consumers misunderstanding the claims.

 **Our view:** The ASA's ruling is in line with its previous decisions on greenwashing in consumer advertising. For example, in its decisions against Shell, Repsol, and Petronas, it censured adverts highlighting the companies' green initiatives without mentioning the companies' larger polluting operations. The ASA emphasised that environmental claims in advertisements must be transparent and clearly communicated to avoid misleading consumers.

This decision reflects the ASA's broader challenge to companies making environmental claims to ensure that they are not only accurate, but also not misleading, a principle that is echoed in the recent [OECD complaints](#) filed by climate charity Possible against British Airways and Virgin Atlantic (reported in our [December 2023 ESG View](#)).

3. Global regulators step up efforts to combat greenwashing in consumer advertising

 **What:** In December, the Advertising Standards Authority of Singapore banned an advertisement from a Singapore consumer electronics company, Prism+, for greenwashing. The ad claimed that purchasing its energy-efficient air conditioners could "save Earth" by using its air conditioner set at 23°C, a statement deemed misleading by the watchdog. Prism+ was instructed to remove the advertisement.

Elsewhere, the Advertising Standards Authority of Ireland (ASAI) has directed Budweiser to cease its ads that claim its beers are brewed with 100% renewable electricity, as the claims are exaggerated, unsubstantiated and misleading. Despite Budweiser's use of renewable energy sources and purchase of Guarantees of Origin certificates to cover additional energy needs, the ASAI ruled this does not justify the 100% renewable electricity claim, as it is not currently feasible to use 100% renewable electricity in Europe.

 **Our view:** The Prism+ ban marks a first in Asia for an ad campaign being prohibited due to greenwashing. As for Budweiser, the ASAI's decision marks a growing trend to combat greenwashing in Ireland, aligning with a previous ASAI decision regarding the electricity firm Energia on similar grounds. Overall, both decisions highlight increasing regulatory scrutiny regarding environmental claims in advertising outside of the UK. These regulators are now waking up to the potential detriment to consumers of being misled by unsubstantiated environmental claims.

ESG CONSULTATION ROUND-UP

Some notable ESG policy consultations in flight across the globe that are currently open for comment. Engagement is a great opportunity to influence the direction of travel for ESG matters.

1. IOSCO consultation report published on voluntary carbon markets (carbon markets)

 **What:** On 3 December, the International Organization of Securities Commissions (IOSCO) published a [Consultation Report](#) on the integrity and orderly functioning of the Voluntary Carbon Markets (VCMs). Included in the report are 21 good practices (Good Practices) put forward by the IOSCO.

 **Key details:** The Consultation Report examines VCM vulnerabilities through three lenses: the project level, the trading environment, and overall communication on the use of carbon credits.

If adopted, IOSCO's VCM Good Practices would be hugely significant as globally, securities regulators typically seek to align with IOSCO guidance and principles.

 **Next steps:** The consultation report seeks further feedback on the proposed set of Good Practices and is open for feedback until 3 March 2024.

2. Joint consultation on UK Emissions Trading Scheme: Future Markets Policy (carbon markets)

 **What:** On 18 December, the UK Emissions Trading Scheme (UK ETS) Authority (the Authority), comprised of the UK Government, Scottish Government, Welsh Government and the Department of Agriculture, and Environment and Rural Affairs for Northern Ireland, published a [Joint Consultation](#) on the UK ETS future markets policy.

 **Key details:** The Authority is reviewing the ETS markets policy to ensure its continued effectiveness in managing risks the UK ETS faces. The joint consultation forms the second part of the two-stage approach that considers changes to the markets policy with the aim to uphold stable and effective market conditions.

 **Next steps:** The consultation report seeks feedback on the policy design proposals and is open for feedback until 11 March 2024.

3. EFRAG Draft ESRS Implementation Guidance documents and Exposure Draft ESRS for SMEs published for public feedback (multi-sector)

 **What:** On 22 December, the European Financial Reporting Advisory Group (EFRAG) published for consultation, three implementation guidance drafts for the European Sustainability Reporting Standards (ESRS), which in-scope companies will use to comply with reporting obligations under the [Corporate Sustainability Reporting Directive](#) (CSRD). On 22 January, EFRAG published two Exposure Draft ESRS for listed SMEs (ESRS LSME ED) and the Exposure Draft for the voluntary reporting standard for non-listed SMEs (VSME ED)

 **Key details:** [Draft EFRAG IG 1](#) deals with the requirements on the materiality assessment in ESRS and [Draft EFRAG IG 2](#) with the value chain aspects in ESRS. [Draft EFRAG IG 3](#) contains the detailed ESRS datapoints as a Microsoft Excel workbook with an accompanying explanatory note.

[ESRS LSME ED](#) sets reporting requirements that are proportionate and relevant to the scale and complexity of the activities and to the capacities and characteristics of listed SMEs. The [VSME ED](#) proposes a simple reporting tool to assist non-listed micro-, small- and medium-sized enterprises in responding to requests for sustainability information in an efficient and proportionate manner as well as to facilitate their participation in the transition to a sustainable economy.

 **Timing:** The implementation guidance drafts are open for public consultation until 2 February 2024 and the Exposure Drafts consultation is open until 21 May 2024.

4. New proposals for EU Taxonomy aligned benchmarks (financial institutions)

 **What:** The EU Platform on Sustainable Finance published a [draft report](#) and call for feedback on proposals to introduce two EU taxonomy-aligning benchmarks (TABs) with and without exclusions (EU TAB and EU TABex).

 **Key details:** The Platform explains that the proposed TABs are inspired by the success of the EU Paris-aligned benchmarks, which grew to EUR116 billion in assets under management in under three years. The TABs' main objectives are to:

- Show how a significant level of comparability of TABs methodologies could be achieved while leaving benchmark administrators with an important level of flexibility in designing their methodology.
- Provide investors with an appropriate tool to align the taxonomy with their investment strategy.
- Increase transparency on investors' impact, specifically as regards climate change and the environmentally sustainable capital expenditure (CapEx) required for the energy transition.
- Disincentivise greenwashing.

 **Timing:** Firms using benchmarks are encouraged to consider the proposals draft and respond to the call for feedback, which is open until 13 March 2024.

5. The EIOPA call for feedback on approach to tackle greenwashing (insurance and pension sector)

 **What:** On 12 December, the European Insurance and Occupational Pensions Authority (EIOPA) launched a [consultation](#) on its draft opinion setting out four principles that should be observed when providers make sustainability claims. Sustainability claims should be:

- accurate, precise, and consistent;
- kept up to date;
- substantiated with clear reasoning and facts; and
- their substantiation should be accessible by the targeted stakeholders.

 **Timing:** The consultation closes on 12 March 2024.

6. Dutch Ministry of Finance launches consultation on climate measures (financial sector)

 **What:** On 21 December the Dutch Ministry of Finance published a [consultation](#) on measures that could be adopted to strengthen the financial sector's contribution to the climate transition and whether further legislation is needed considering the EU regulatory landscape. Specifically the consultation considers:

- the inclusion of a duty to align balance sheets with the 1.5°C target under the Paris Agreement;
- an obligation to prepare and implement a specific climate plan; and
- legal obligations requiring engagement.

 **Timing:** The consultation closes on the 15 February.

7. Australian Treasury publishes draft legislation on climate related disclosures (multi-sector)

 **What:** On 12 January, the Australian Treasury published its exposure draft legislation [Climate-related financial disclosure: Exposure draft legislation](#) (Exposure Draft) for mandatory climate reporting (and assurance requirements) that would require specified large businesses and financial institutions to make climate-related disclosures.

 **Key details:** As part of the requirements, a sustainability report is required to be lodged in the annual report of firms in scope, which complies with Australian Sustainability Reporting Standards ([ASRS](#)).

 **Next steps:** The Treasury is seeking views on the Exposure Draft legislation and accompanying explanatory materials by 9 February 2024. The Exposure Draft is still subject to the final legislative processes through Parliament, which will need to occur before the first commencement date of reporting being 1 July 2024.

LATEST SIMMONS ESG INSIGHTS

Webinars on demand

- [Global Insights: COP28 Debrief and Roadmap for 2024](#) (16 January 2024)
- [Simmons SDR “deeper dive” webinar series - The Anti-Greenwashing Rule - what is it and how do you avoid breaching it?](#) (11 January 2024)

Podcast series

- [Seas of opportunity: navigating the Blue Economy – Ep1: Exploring the concept of the Blue Economy](#) (16 January 2024)

Recent Publications

- [ESG Disputes Radar](#) (24 January 2024)
- [EU Whistleblowing Directive - Netherlands](#) (16 January 2024)
- [The year ahead 2024](#) (12 January 2024)
- [ESG: Art 8 Taxonomy Regulation - Commission publishes FAQs](#) (10 January 2024)
- [UK CBAM by 2027](#) (20 December 2023)

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Our ESG approach is not to have an ESG practice but to adopt an integrated, holistic, cross-discipline approach so that we can combine ESG experts and deep technical knowledge with product/business line expertise.

If you need help understanding the current and upcoming ESG legislative and regulatory landscape or your supply chain obligations or supply chain best practice, or you would like assistance in mitigating your supply chain risk, we can help.



Sonali Siriwardena

Partner, Global Head of ESG

T +44 20 7825 4595

E Sonali.Siriwardena@simmons-simmons.com



ESG Team

T +352 26 21 16 23

E esg@simmons-simmons.com

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