

ESG View

October 2024

24 October 2024



Welcome to the October edition of ESG View!

As we publish this edition, the UN Convention on Biological Diversity ([COP 16](#)) is in full swing in Cali, Colombia. It comes two years after COP15 in Montreal (where nations agreed to mobilise \$200bn a year by 2030 to protect 30 per cent of the world's land and oceans, a pledge referred to as the '30x30' target), the current meeting in Cali meeting is being called the "implementation COP" as participants seek to bring life to their commitments to nature. The urgency of the discussion was underlined further with the publication of WWF's bi-annual [Living Planet Report](#) earlier this month, which highlights a dramatic decline in global biodiversity, with the average size of monitored wildlife populations shrinking by 73%. On a more positive note, a Morningstar recently [reported](#) that global assets held in biodiversity open-end funds and ETFs more than doubled over the past three years to USD3.7 billion – whilst this is admittedly a fraction of the USD530 billion climate fund market, it illustrates investments relating to biodiversity have room to grow.

Key things to watch out for at COP16 will be solutions to scaling nature finance, building bridges between nature and the wider [Sustainable Development Goals](#), a renewed push for conserving 30% of the world's land and ocean by 2030 and spotlighting of traditional and indigenous knowledge, innovations and practices for nature.

For nature advocates based in London, on 7 November, Simmons & Simmons will host a panel event: [Rights of Nature: Recognising Natural Entities](#), to bring together leading figures in environmental law and philosophy to explore the foundational concepts and future directions of the Rights of Nature movement. RSVP [here](#) to guarantee your space!

On a separate note, this month, Simmons & Simmons also published a report focusing on [Health horizons: opportunities emerge as sectors converge](#) as an output of research done with 350 legal professionals and C-suites working in healthcare and life sciences (HLS) businesses, and 361 investors with portfolios in the HLS sector, which has such a key role to play in ensuring that the human species (arguably nature's friend and foe in equal measure) survive the environmental crisis that is unravelling all around us.

This edition of ESG View showcases the increase of local climate disclosures from Oman to Canada, Australia to Hong Kong but we also feature some key sector-specific updates on mining and fashion. The disputes round-up highlights the steady swell of activist litigation and there is a fulsome haul of both sectoral and country-specific live consultations inviting your feedback.

Best wishes,



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GLOBAL DEVELOPMENTS

1. New York Climate Week round-up (multi-sector)

 **What:** New York Climate Week (NYCW) is always one to watch, with global leaders in town for the UN General Assembly and civil society ready to lend its voice to climate action. This year was no exception. Themed *'It's Time'*, the 2024 edition placed a heavy focus on securing a just transition.

 **Key developments:** Some notable updates in advance of and during NYCW:

- The UN General Assembly agreed on its [Pact for the Future](#) to transform global governance, which contains 56 broad actions that Member States pledged to achieve, including clear recognition of the private sector's in delivering the [Sustainable Development Goals](#) and calling on banks, insurers, and asset managers to better manage their climate risks and to actively contribute to sustainable development;
- The International Renewable Energy Agency (IRENA) and the International Labour Organization (ILO) published the [Renewable Energy and Jobs – Annual Review 2024](#) finding the largest ever increase in renewable energy jobs, from 13.7 million in 2022 to 16.2 million in 2023;
- The Climate Bonds Initiative (CBI) published the [Resilience and Adaptation Taxonomy](#), which identifies 1,444 investments which would be eligible for debt or other forms of financing; and
- International Sustainability Standards Board (ISSB) published key guidance for [Voluntarily applying ISSB Standards–A guide for preparers](#).

 **Looking ahead:** With [COP 29](#) just around the corner (Azerbaijan, 11-22 November), the publication of the [COP 29 Presidency Action Agenda Letter](#) was a welcome wireframe for discussions during NYCW. With scaling finance for adaptation and renewables top of the agenda, the positioning of fossil fuel was notably absent, so it awaits to be seen how the discussion on phasing down or out of fossil fuels feature during COP 29.

2. The GIC publishes report on environmentally and socially responsible mining industry (multi-sector)

 **What:** On 8 October, the [Global Investor Commission on Mining 2030](#) (GIC) published a new [Landscape Report](#) on the *Role of Investors in Realising an Environmentally and Socially Responsible Mining Industry*. The GIC represents combined assets of more than \$15trn, including pension funds such as the UK's Brunel Pension Partnership and USS, the Netherlands' APG, Canada's CDPQ, and California's Calstrs, as well as asset managers such as abrdn and Ninety One.

The report proposes six objectives for the GIC:

- Developing investor expectations aligned with global and industry standards;
- Wider application of circularity principles and alignment of value chain industries with investor expectations;
- Building regulation, incentives and institutional frameworks at global, regional and national levels that reinforce investor expectations;

- Generating sustained benefits at local and national levels through improved equity and transparency in decision-making and benefit distribution;
- Reducing mining as a driver of conflict through improved identification and management of risks linked to mining-related impacts and revenues;
- Driving safe and responsible mine closure and addressing historic legacies of mining.



Next steps: The GIC will develop workplans under each of the objectives, these will be consulted on and implemented by GIC by 2030.

EUROPEAN DEVELOPMENTS

1. EU Deforestation Regulation - extended timelines and new guidance (multi-sector)

 **What:** The European Commission has announced significant updates to the EU Deforestation Regulation (EUDR), aiming to bolster global preparedness for its implementation. Recognising the challenges faced by stakeholders worldwide, as highlighted during recent discussions at the United Nations General Assembly, the EU Commission proposes extending the compliance deadlines to 30 December 2025 for medium and large companies and to 30 June 2026 for micro- and small enterprises. On 16 October, the European Council [agreed](#) to support the Commission's proposal, which will now be reviewed by the European Parliament during its 13-14 November plenary session.

 **Key details:** Despite the delay, the [Information System](#) for due diligence statement registration will be operational ahead of the EUDR's application, allowing early submissions by operators and traders. A critical component of the EUDR, i.e. the classification of countries or regions based on deforestation risk, will also see a 6-month postponement to 30 June 2025.

To further aid stakeholders, the Commission has released new [guidance documents](#) and [updated FAQs](#), covering key areas such as the Information System functionalities, penalties, core definitions, due diligence obligations, role of certifications and third-party verifications. These resources aim to ensure uniform interpretation and application of EUDR, supported by practical scenarios and a dedicated webpage.

Additionally, the Commission has unveiled a [strategic framework for international cooperation](#), focusing on five priority areas (support to smallholders, transition to sustainable commodity production and land use, engage on regulatory measures and environmental standards globally, traceability schemes, and developing knowledge and innovation) and emphasising a human rights-centred approach to support deforestation-free supply chains.

UK DEVELOPMENTS

1. The UK Government publishes the Employment Rights Bill (multi-sector)

 **What:** On 10 October, the highly anticipated [Employment Rights Bill](#) was published together with [Next Steps to Make Work Pay](#) and [Employment Rights Bill: supporting documents](#).

 **Key details:** Some of the key points outlined in the bill are below although much is subject to parliamentary scrutiny, secondary legislation and consultations:

- Protection against unfair dismissal from day one, subject to a modified dismissal process during an initial period of employment (the Government preference is for a 9-month probationary period);
- More robust right to request flexible work - but not an absolute right to work flexibly;
- A new obligation on employers to prevent third party harassment will be inserted into the Equality Act 2010;
- Day one rights for paternity and parental leave with the removal of the qualifying period of employment;
- Stronger protection for pregnant women and new mothers returning to work including protection from dismissal whilst pregnant, on maternity leave and within six months of returning to work;
- Statutory sick pay strengthened with changes to the lower earnings limit and removal of the waiting period so workers would be granted the right to claim sick pay from the first day of illness; and
- Zero hours contracts - a new right for workers to be offered guaranteed hours subject to a qualifying reference period.

Further details of what is contained in the bill can be found in our [Insights Article](#).

2. Green is the New Black: Navigating Sustainability in Fashion with the CMA's Latest Guidance (fashion sector)

 **What:** The UK's Competition and Markets Authority (CMA) recently issued [guidance](#) to the fashion industry, emphasising the need to comply with consumer laws when making environmental claims.

 **Key details:** The guidance is relevant to all businesses in the fashion supply chain, from designers and retailers, to those involved in packaging and delivery. The guidance outlines six principles, requiring that claims should be:

1. Truthful and accurate;
2. Clear and unambiguous;
3. Not omitting relevant information;
4. Considering the products lifecycle;
5. Substantiated; and
6. Meaningful (in the context of comparisons).

The CMA recommends avoiding vague terms like "green" or "sustainable" without substantial supporting evidence. The guidance also discourages selective highlighting of positive aspects or subjective or unclear descriptions.



Our view: The CMA's proactive stance to greenwashing is evident from its recent action, including writing to 17 fashion brands to encourage a review of their business practices on the same day the guidance was published. Indeed, whilst compliance with the Guidance is voluntary, it is a benchmark for best practice and regulatory expectations in the industry. This becomes even more relevant when the [Digital Markets, Competition, and Consumer Act 2024](#) comes into force later this year. The Act gives the CMA powers to fine businesses up to 10% of their global turnover for unfair commercial practices, including misleading actions or omissions (which could include greenwashing).

MIDDLE EAST AND AFRICA DEVELOPMENTS

1. Central Bank of Oman's sustainability circular on climate-related risk and resilience (financial institutions)

 **What:** On 14 October, the Central Bank of Oman (CBO) issued a [circular](#) aimed at strengthening the banking sector's resilience to climate-related risks. The circular stresses the importance of banks' integrating climate risk management into their operations – governance, strategy, risk assessment, and disclosure. The CBO emphasised the importance of actively engaging in sustainable finance initiatives that support environmentally beneficial projects (for example, issuing green finance instruments, investing in sustainable assets and offering green loans).

 **Key details:**

- Banks have been asked to assess their current practices in line with the circular and create an implementation plan with a clear timeline, interim targets, and milestones;
- The new requirements will apply to all locally incorporated conventional, Islamic, and specialised banks in Oman;
- Provisions pertaining to the integrity of sustainability claims and communications will take immediate effect;
- Provisions related to governance, strategy, risk management, and additional ESG recommendations will be effective from 1 July 2026 ; and
- Disclosure requirements will take effect on 31 December 2026.

 **Our view:** The circular signals the CBO's willingness to work with financial institutions and stakeholders to contribute to Oman's [Strategy for an Orderly Transition to Net Zero](#) and we expect the CBO to continue evolving this framework further.

AMERICAS DEVELOPMENTS

1. Canada to introduce mandatory climate disclosures for federal corporations and a voluntary sustainable investment taxonomy (multi-sector)

 **What:** On 9 October, the Government of Canada [announced](#) two key sustainability commitments. First, it committed to amend the [Canada Business Corporations Act](#) to require climate-related financial disclosure requirements for large, federally incorporated private companies. Secondly, the Canadian Government announced a plan to develop a voluntary sustainable investment taxonomy focusing on green and transition investments aligned with the goal of net-zero emissions by 2050.

 **Key details:**

- This Canadian taxonomy will categorise investments based on scientifically determined criteria, encouraging private capital towards low- or non-emitting activities.
- The taxonomy will initially target sectors like electricity, transportation, buildings, agriculture, manufacturing, and extractives, with guidelines for two to three sectors expected within a year.
- The guiding principles for the taxonomy emphasise usability, credibility, comprehensiveness, and interoperability with global standards.
- The taxonomy will define "green" as low-emission activities, and "transition" as decarbonising high-emission sectors. It also encourages companies to adopt net-zero targets, credible transition plans, and climate disclosures.

2. Anti-Woke Bills make progress through the U.S. legislature (asset management)

 **What:** On 19 September, the U.S. House of Representatives passed the "*Prioritizing Economic Growth Over Woke Policies Act*" ([H.R. 4790](#)) by a vote of 215-203. The bill has now been received in the Senate and will need to be passed before going to the President and becoming law. Notably, the Biden Administration has [opposed the bill](#), stating that it would "*severely limit the ability of Federal financial regulators to protect consumers and investors*".

 **Key details:** The bill aims to restrict asset managers to only considering financial factors and restrict their proxy voting ability, as well as limiting disclosure requirements. For example, some of the key provisions of the bill include:

- requirement for the Securities and Exchange Commission (SEC) to limit issuer disclosure requirements made in rulemaking;
- requirement for the SEC to report on its website each required disclosure of nonmaterial information under current federal securities laws and regulations and a justification for the disclosure (to be reported to Congress every five years);
- requirement for the SEC to research and report to Congressional Committees the effects of the EU's directives on corporate sustainability, particularly on U.S. companies, consumers, and investor; and
- establishment of a Public Company Advisory Committee within the SEC to advise on regulatory priorities, and other topics.

APAC DEVELOPMENTS

1. Australian Sustainability Reporting Standards finalised following mandatory reporting legislation (multi-sector)

 **What:** Last month, Australia passed legislation mandating climate-related disclosures (as covered in [September ESG View](#)). Shortly thereafter, the Australian Accounting Standards Board (ASSB) published the finalised the Australian Sustainability Reporting Standards. These standards comprise of: [AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information – a voluntary Standard](#) and [AASB S2 Climate-related Disclosures – a mandatory Standard](#). The Standards are aligned with the international [IFRS Sustainability Standards](#). AASB S2 is a mandatory standard on climate reporting in line with the [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#). Mandatory disclosure will begin on or after 1 January 2025.

Separately, the Auditing and Assurance Standards Board has published a proposed Australian Standard on Sustainability Assurance (ASSA 5010). See our 'ESG Consultations Round-up' section below for more detail.

2. Hong Kong Code of Conduct for ESG Ratings and Data Products Providers published (ESG ratings and data providers)

 **What:** On 3 October, the [Hong Kong Code of Conduct for ESG Ratings and Data Products Providers](#) was published by the International Capital Market Association (ICMA). ICMA was appointed by the Hong Kong Securities and Futures Commission (SFC) in 2023 to develop the Code. It provides voluntary standards aimed at enhancing the credibility, transparency, and quality of ESG ratings and data products. Rooted in recommendations from the International Organization of Securities Commissions (IOSCO), it aligns with global efforts to regulate and improve practices in this rapidly growing sector.

 **Key details:** The Code outlines six key principles: Good governance, Quality control, Management of conflicts of interest, Transparency, Confidentiality, and Engagement. Providers of ESG ratings and data products must ensure robust governance structures, adopt policies that secure the accuracy and consistency of their offerings, and manage conflicts of interest to maintain independence. Transparency is central, requiring providers to disclose methodologies and processes while safeguarding proprietary information. The Code also stresses the importance of protecting non-public data and engaging effectively with rated entities. The Code is voluntary, encouraging providers to adhere by publicly posting self-attestation documents that outline their compliance with the principles (on their websites).

3. The Hong Kong Monetary Authority launched the Sustainable Finance Action Agenda (multi-sector)

 **What:** On 21 October, the Hong Kong Monetary Authority (HKMA) published its [Sustainable Finance Action Agenda](#) setting out its vision to further strengthen Hong Kong's position as the sustainable finance hub in the region.

 **Key details:** The Action Agenda includes eight goals in four areas:

- Banking for net zero
 - All banks to strive to achieve net zero in their own operations by 2030 and in their financed emissions by 2050; and
 - All banks to enhance transparency on climate-related risks and opportunities.
- Investing in a sustainable future
 - Achieve net-zero emissions for the Investment Portfolio of the Exchange Fund by 2050; and
 - Support transition in the region through investment.
- Financing net zero
 - Develop Hong Kong into the go-to sustainable financing platform of the region and beyond; and
 - Catalyse innovation in sustainable finance.
- Making sustainability more inclusive
 - Support high-quality and comprehensive sustainability disclosures; and
 - Close talent and knowledge gaps in sustainable finance in the region.

The HKMA will now work on implementing the Action Agenda, including providing further guidance and supporting tools for the industry. Details of HKMA's actions under each goal can be found within the agenda document. Taking into account market development and industry feedback, the HKMA will also review and refine the Action Agenda as and when necessary.

BEST OF THE REST

A round-up of key ESG regulatory and policy updates from around the globe worthy of a mention in this edition:

- **Global:** EFRAG and the Taskforce on Inequality and Social-related Financial Disclosures (TISFD) Secretariat have signed a [cooperation agreement](#) aimed at advancing the development and adoption of social-related financial disclosures.
- **Global:** A former carbon offsetting executive has been [charged with fraud](#) by US federal authorities, alleging that data was manipulated in connection with voluntary carbon market credits worth tens of millions of dollars.
- **Europe:** ESMA publishes an [updated sustainable finance implementation timeline](#)
- **UK:** The Pensions Regulator launches [new suite of resources](#) to support and strengthen trustees' ESG decision making.
- **UK:** The FCA has updated its webpage on consultation paper [CP24/8](#) to say it is considering the feedback to its consultation on extending the Sustainability Disclosure Requirements (SDR) regime to portfolio managers and are aware that it is taking longer than expected for some asset managers to comply with the SDR and labelling regime. The FCA intends to publish a policy statement and further information about implementation in Q2 2025.
- **South Korea:** USD 3.5 trillion investor group [urges Korea's Financial Services Commission for Mandatory Sustainability Disclosures by 2026](#).
- **Malaysia:** Malaysia published its [National Climate Change Policy 2.0](#) on 30 September, which will serve as an umbrella policy, introducing a framework for Malaysia's transition to a low-carbon economy.
- **U.S.:** California Governor Newsom signed into law [Senate Bill 219](#) amending the Climate Accountability Package (as covered in our [September ESG View](#)). Other States are looking to introduce similar bills, so watch this space (e.g. Washington's [SB 6092](#), New York's [SB S897C](#) and [SB 5437](#), and Illinois' [HB 4268](#)).

ESG DISPUTES ROUND-UP

Before we dive into our disputes round-up this month, here are some notable mentions:

- Despite [news](#) last month that the U.S. Securities and Exchange Commission (SEC) has dissolved its Climate and ESG Enforcement Task Force, the regulator has shown to still be active on the enforcement-front with a new [\\$4 million civil penalty issued](#) against WisdomTree this month. The SEC charged the investment advisor for making misstatements and for compliance failures relating to the execution of an investment strategy that was marketed as incorporating ESG factors. Specifically the firm was found to have misstated that the funds did not invest in companies involved in fossil fuels and tobacco, when in fact they did.
- In September, TotalEnergies announced that it would appeal the South African Advertising Regulatory Board's decision, which stated that Total's claims of promoting sustainable development were misleading (reported in our September ESG View).
- On 9 August, In a landmark ruling, the Hamburg Regional Court [declared](#) that TUI Cruises misled consumers with its advertising claim of achieving Net Zero by 2050. The Court ruled that, given TUI's lack of progress in adopting organic LNG and utilising waste materials as fuel, its claim that it would achieve Net Zero was misleading.

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. Investment funds under the microscope for green claims (investment funds)



What: As consumers, investors, and other market operators become increasingly environmentally conscious, there has been a significant uptick in scrutiny of claims and a rise in greenwashing action.



Key details: On 25 September, Vanguard Investments Australia faced a record A\$12.9 million penalty [judgement](#) due to misleading ESG claims made to investors. Vanguard Investments Australia had noted that it would apply exclusionary screens to its Ethically Conscious Global Aggregate Bond Index Fund. However, the Australian Securities and Investment Commission (ASIC) found that approximately 74% of the securities the fund were not researched or screened against ESG criteria. Justice O'Byrne noted that the "*contraventions should be regarded as serious*" particularly as "*the misrepresentations enhanced... Vanguard's reputation as a provider of investment funds with ESG characteristics.*" In a statement to the media, Vanguard Investments Australia has said it accepted the judgement and apologised to clients for the "unintentional" errors.

On 17 October, legal environmental NGO, ClientEarth [announced](#) that it would be filing its first greenwashing complaint against a financial institution. The NGO filed a [complaint](#) to the French financial regulator - the *Autorité des marchés financiers* (AMF) - challenging the naming of the financial institution's retail investment funds as 'sustainable' given the funds' exposure to fossil fuel investments.

Our view: Despite a recent [report](#) finding that trends around greenwashing are decreasing for the first time in six years, there seems to still be high-impact cases that are shaping the conversation around green claims. These cases demonstrate that NGOs and regulators are increasingly focused on protecting consumers from misleading greenwashing claims, particularly when it comes to investment products. We will be watching closely to see how this trend continues to unfold.

2. Fossil fuel projects facing challenges in the courts (fossil fuel)

 **What:** Environmental groups and other NGOs are bringing increasingly sophisticated legal challenges against fossil fuel projects that they view as detrimental to achieving net-zero targets, or that may violate national or EU laws.

 **Key details:**

- In Northern Ireland, the planned expansion of an oil terminal [was halted](#) after local residents, and the Public Interest Litigation Support group, contested the planning permission.
- The EU Commission's approval of €40 million in state aid for the LNG terminal Brunsbüttel [faces legal opposition](#) from Hanseatic Energy Hub, with *Deutsche Umwelthilfe* (DUH) and ClientEarth applying to join the proceedings on the basis that the project compromises Germany's climate obligations.
- The INEOS Project One petrochemical plant in Flanders faces its fourth legal challenge over environmental impact concerns. Following changes in regional nitrogen rules, Flemish authorities withdrew approval and immediately reapproved the project, prompting ClientEarth, along with 14 NGOs, to [commence fresh proceedings](#).
- The Norwegian government is [seeking to lift injunctions](#) on three oilfields, previously granted on environmental grounds following a lawsuit from Greenpeace and Nature & Youth. The government has set a 2050 net-zero target, although it plans to continue extracting hydrocarbons for “*decades to come*”.

 **Our view:** These cases illustrate the increased willingness of environmental groups and NGOs to use legal means in contesting fossil fuel projects. Even where necessary approvals are ultimately obtained, the need to defend against increasingly robust challenges will inevitably have consequences for those promoting and supporting fossil fuel projects.

3. Green claims case in California concerning recyclability (multi-sector)

 **What:** On 23 September, California Attorney General Rob Bonta [announced](#) the filing of a lawsuit against ExxonMobil, alleging the company engaged in deceptive practices regarding the recyclability of plastics, despite knowing that most plastic is not recyclable.

 **Key details:** ExxonMobil is accused of misleading the public for over 50 years that recycling was a viable solution to plastic waste, despite knowing the limitations and inefficacies of current recycling technologies. The lawsuit seeks to hold ExxonMobil accountable for its alleged deceptive practices, which include promoting false narratives about recycling through various marketing strategies, such as a prominent 1989 “advertorial” in Time magazine and the widespread use of the recycling symbol. These efforts reportedly encouraged consumers to purchase single-use plastics under the mistaken belief that they could be recycled, leading to increased plastic waste in California, where ExxonMobil is a major producer.

 **Our view:** This lawsuit represents a pivotal moment in US environmental litigation with potential global implications. It underscores the importance of transparency and accountability in corporate environmental practices, particularly concerning claims about recyclability and sustainability efforts.

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. Consultation on universal metrics for action on nature (multi-sector)

 **What:** The Nature Positive Initiative (NPI) is a coalition of many of the world's largest conservation organisations, business and finance coalitions, sustainability standard setters and others, that is convening a process to foster consensus on a small set of metrics to evaluate changes in the state of nature. On 8 October, NPI launched a [consultation](#) on a universal set of nature metrics.

 **Key details:** The consultation requests feedback on the following key elements:

- clarity and practicality of the proposed State of Nature (SON) metrics framework, including the maturity scale and differentiation between universal and case-specific metrics;
- adequacy of the proposed four universal and five case-specific indicators for evaluating terrestrial ecosystems;
- guidance on the application of case-specific triggers;
- credibility, flexibility, and auditability of the proposed metrics;
- effectiveness in integrating the metrics into organisational strategies and overcoming potential barriers;
- whether the metrics could be assured and types of evidence needed for assurance; and
- feasibility of pilot adoption in 2025.

 **Timing:** The consultation period ends on 8 November and the feedback will help finalise metrics for release in 2025.

2. International Chamber of Commerce launches Principles for Sustainable Trade Finance (financial institutions)

 **What:** On 21 October, the International Chamber of Commerce (ICC) launched its [Principles for Sustainable Trade Finance](#) (PSTF). Existing sustainable finance frameworks often cannot be easily and objectively applied to many trade finance products due to their nature as 'flow' products without delineated projects. The PSTF offer clear, transparent, and consistent guidelines to enable banks, corporates and investors to effectively channel capital towards sustainable and inclusive trade finance facilities while mitigating the risks associated with greenwashing. These principles are closely aligned with the LMA Green Loan Principles.

The PSTF contain four distinct sections:

1. bespoke Principles for Green Trade Finance (PGTF);
2. ICC guidance on Sustainability Linked Trade Finance
3. ICC guidance on Sustainability Linked Supply Chain Finance; and
4. ICC's ambition for Social Trade Finance.

The ICC has initiated an industry-wide [consultation](#) phase. This stage invites feedback and comments from all stakeholders within the trade finance sector, ensuring that the principles are robust, practical, and reflective of the diverse needs across the industry.

 **Timing:** It is unclear when the consultation period will close however more detail may be shared at the ICC’s [online launch event](#) on 29 October 2024 at 13:00 CET. After the consultation period concludes, the PSTF will be finalised and officially released later this year, marking a significant milestone in promoting sustainable trade finance globally.

3. GFANZ consults on Index Guidance to Support Real-Economy Decarbonisation (multi-sector)

 **What:** On 9 October, the Glasgow Financial Alliance for Net Zero (GFANZ) launched a [public consultation](#) paper on voluntary guidance on the development of “transition-informed” indices to support the global transition to net zero.

 **Key details:** The [Index Guidance to Support Real-Economy Decarbonisation](#) outlines potential guidance index participants (index providers, data providers, stock exchanges, asset owners, asset managers and other investors) may take to voluntarily and independently develop and adopt indices that support real-economy decarbonisation. Known collectively as “transition-informed” indices, these new index categories include:

- “*Transition-potential*” indices include companies that demonstrate the potential to align with the net-zero transition in a time-bound manner as well as those companies that are included in “*transition-engaged*” indices;
- “*Transition-engaged*” indices include companies that are “in development” (in the context where transition planning and dataset quality may not yet be sufficient at scale), Aligned or Aligned to net zero, or are a Climate Solution; and
- “*Net-zero*” indices that only include companies that are Aligned or a Climate Solution.

 **Timing:** The consultation is open until 9 January 2025, and feedback will inform the final paper, which will be released in late Q1 2025.

4. Proposed amendments to New Zealand’s climate and assurance standards (multi-sector)

 **What:** On 8 October, the New Zealand External Reporting Board (XRB) published a [consultation](#) on proposed amendments to its climate and assurance standards:

- NZ CS 2 Adoption of Aotearoa New Zealand Climate Standards.
- NZ SAE 1 Assurance Engagements over Greenhouse Gas Emissions Disclosures.

XRB has heard from several sources that reporting entities are facing challenges with obtaining reliable data, high costs, and how to disclose in the absence of comprehensive guidance on certain topics. There are also concerns about obtaining assurance over scope 3 greenhouse gas emissions disclosures because of difficulties in obtaining sufficient reliable data from up and downstream entities. XRB aims to respond to this feedback and proposes delaying mandatory scope 3 GHG emissions disclosure and assurance, as well as delaying anticipated financial impact and transition planning disclosures.

 **Timing:** The consultation closes on 30 October 2024.

5. Australian Sustainable Finance Capability Framework Pilot (multi-sector)

 **What:** On 21 October, the Australian Sustainable Finance Institute (ASFI) published the pilot version of Australia's first [Sustainable Finance Capability Framework](#), demonstrating the key capabilities needed across the sustainable finance workforce to accelerate the transition to a more sustainable, resilient and inclusive Australia. The framework is intended as a guide to enable both individuals and organisations to focus their learning and development to increase their sustainable finance expertise. ASFI invites feedback on the framework, with tailored surveys for [financial sector participants](#), [learning providers](#) and [individuals](#).

 **Timing:** The framework will be open for comments and feedback for the next 12 months before a second iteration is published.

For those closely watching ASFI developments, be aware that it will launch the second round of public consultation on the development of an [Australian sustainable finance taxonomy](#) on 30 October.

6. Australian sustainability assurance standard published for comment (assurance)

 **What:** On 17 September, the Australian Standard on Sustainability Assurance (ASSA) released a proposed exposure draft standard for sustainability assurance ([ASSA 5010](#)) for [consultation](#). ASSA 5010 has been developed in response to schedule 4 [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#) (as covered in our [September ESG View](#)), which proposes a new mandatory climate disclosure framework for larger entities that prepare financial reports under Chapter 2M of the *Corporations Act 2001*. The Bill has been passed by both Houses of Parliament on 9 September and is awaiting Royal Assent.

The proposal outlines a phased assurance timeline for when information in a sustainability report prepared in accordance with Chapter 2M of the Act would be subject to audit and/or review. These proposals will affect preparers, users, and auditors, therefore ASSA expects broad engagement with the call for comment.

 **Timing:** Consultation closes on 16 November 2024. Sustainability reports for financial years commencing on or after 1 July 2030 must be audited using the ASSA 5010 standard.

7. Hong Kong consults on exposure drafts of two inaugural Hong Kong Sustainability Disclosure Standards (multi-sector)

 **What:** On 16 September, the Hong Kong Institute of Certified Public Accountants (HKICPA) [announced](#) the publication of the Exposure Drafts for HKFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and HKFRS S2 *Climate-related Disclosures (HKFRS Sustainability Disclosure Standards)* for public consultation. The HKICPA is proposing full convergence of HKFRS S1 and HKFRS S2 with the international [IFRS Sustainability Standards](#) and an effective date of 1 August 2025. The consultation specifically asks respondents to comment on this approach and timing, as well as welcoming broader comments.

 **Timing:** Consultation is open until 27 October 2024. The HKICPA aims to publish the final Standards by the end of 2024.

8. European Commission draft notice containing FAQs on CSRD (multi-sector)

 **What:** On 7 August, the European Commission published a draft Commission Notice on the interpretation of certain legal provisions in the Accounting Directive, Audit Directive, Audit Regulation, Transparency Directive, Commission Delegated Regulation (EU) 2023/2772 - containing the first set of European Sustainability Reporting Standards (ESRS) - and the Sustainable Finance Disclosures Regulation (SFDR) as regards sustainability reporting.

 **Key details:** The notice contains a set of replies to frequently asked questions (FAQs) relating to the Corporate Sustainability Reporting Directive (CSRD). It includes, among others, sections addressing:

- sustainability information reporting under Articles 19a and 29a of the Accounting Directive (individual and consolidated sustainability statements) and under Article 40a of the Accounting Directive (which relates to non-EU undertakings with an EU subsidiary or branch). Topics covered include, for example, scope and application dates, exemption rules, ESRS, value chain information, Article 8 Taxonomy Regulation disclosures, language requirements, timing of publication and supervision;
- assurance of sustainability reporting;
- key intangible resources disclosures;
- additional FAQs on requirements for third country undertakings; and
- SFDR.

9. Dutch Regulator's decision on competition rules for collaborative sustainability initiative (financial institutions).

 **What:** The Netherlands Authority for Consumers and Markets (ACM) has [approved an initiative among Dutch banks to collaborate](#) on their sustainability reports. The decision follows a request from the Dutch Banking Association (NVB) to assess the initiative's compliance with competition rules. The initiative aims to standardise the reporting of sustainability criteria across the banking sector for financing activities relating to the transport, agricultural, and real-estate sectors, with banks working together to determine necessary data and reliable calculation methods.

 **Key details:** The ACM has informally assessed the initiative under its Policy Rule regarding oversight over sustainability agreements and found no objections or negative effects on competition between banks, such as pricing, equality, choice, or innovation. Participation is open and voluntary, and banks are not required to exchange competition-sensitive (client) information. They are also free to deviate from the common interpretation in the data scheme, ensuring transparency and individual accountability in reporting. Each bank will also draw up its own report and determine what ESG criteria it does or does not report.

 **Our view:** This marks yet another strident move by the ACM which has shown a willingness in the past to lead the charge amongst competition law authorities in the sustainability sphere. Whilst the ACM may investigate the initiative in greater detail in the future, its current approval of the scheme marks a significant step towards standardised sustainability reporting within the banking sector. The [collaboration test](#) (in Dutch) offered by ACM provides a valuable tool for businesses seeking to align their sustainability efforts with competition rules, fostering an environment where sustainable progress and competitive fairness coexist. It's notable that the UK Competition and Markets Authority is also operating an open-door policy where organisations can reach out for informal guidance on proposed environmental sustainability initiatives. See further details on this [here](#).

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