GIBSON DUNN

Gibson Dunn Environmental, Social and Governance Update (September 2023)

Client Alert | October 18, 2023

We are pleased to provide you with Gibson Dunn's ESG monthly update for September 2023. This month, our update covers the following key developments. Please click on the links below for further details. **I. INTERNATIONAL**

1. UN publishes climate change report concluding that global emissions are not in line with Paris Agreement goals

The UN Framework Convention on Climate Change published a report ahead of an upcoming global stocktake at the UN climate change conference COP28 being held in Dubai in November and December. The report assesses collective progress towards achieving the long-term goals of the Paris Agreement in a series of 17 findings from technical deliberations in 2022 and 2023. Among other things, the report finds that global emissions are not in line with modelled global mitigation pathways consistent with the temperature goal of the Paris Agreement and that greater action is needed "on all fronts", including in the implementation of domestic mitigation measures.

2. Credit ratings agencies take further steps to increase ESG transparency for investors

S&P Global Ratings announced on September 14, 2023 that it has updated its analytical approach for use of proceeds Second Party Opinions (SPOs), in order to provide more transparency to investors in the sustainable bond market. The update outlines the process for providing SPOs, defines an S&P Global Ratings Shade of Green, and explains how the latter is assigned to environmental projects. Lloyds' and Moody's Analytics announced a new collaboration on September 15, 2023 to develop a solution that will help with quantifying greenhouse gas emissions across managing agents' underwriting and investment portfolios, aiding managing agents in meeting expected regulatory reporting requirements under frameworks such as Streamlined Energy and Carbon Reporting for insurers.

3. ICMA and IFC publish global practitioner guidance on "blue bonds"

The International Capital Market Association and International Finance Corporation issued a Practitioner's Guide on Bonds to Finance the Sustainable Blue Economy on September 6, 2023. "Blue bonds" are defined as green bonds focused on the sustainable use of maritime resources and the promotion of related sustainable economic activities. The guidance is intended for broad use by issuers, investors and underwriters, and builds on existing standards for the global sustainable bond markets which have been in circulation since 2014 (namely, the Green Bond Principles, Social Bond Principles, Sustainability Bond Guidelines and Sustainability-linked Bond Principles). It defines blue economy typology and eligibility criteria, suggests key performance indicators, showcases latest case studies, and highlights the critical need for increased financing to achieve UN Sustainable Development Goal No. 14.

4. Network for Greening the Financial System publishes conceptual framework for nature-related financial risks to guide policies and action by central banks and financial supervisors

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The Network for Greening the Financial System published a technical document containing a beta version of an NGFS Conceptual Framework for nature-related financial risks on September 7, 2023. It aims to establish a common and mainstream understanding of the risks presented by the environmental degradation and climate change crisis, and to take the first step towards an integrated assessment of broader nature-related risks in addition to climate change risks, setting out a principle-based approach to help operationalize that understanding.

5. World Federation of Exchanges publishes guidance note on its Green Equity Principles

On September 14, 2023, the World Federation of Exchanges published a guidance note on its Green Equity Principles—a voluntary global framework for designating stocks and shares as green, which is intended to counter greenwashing and support funding towards sustainable economies. The Principles and the guidance note are open for public consultation until January 15, 2024.

6. Taskforce on Nature-related Financial Disclosures publishes final recommendations

The Taskforce on Nature-related Financial Disclosures (comprising 40 members representing financial institutions, corporates and market service providers, and supported by national governments), published its final Recommendations on nature-related risk management and disclosure on September 18, 2023. The recommendations provide companies and financial institutions with a set of (i) general requirements for nature-related disclosures and (ii) recommended disclosures structured around the four pillars of governance, strategy, risk and impact management, and metrics and targets. The recommendations have been welcomed by the UK Parliamentary Environmental Audit Committee, which proposes that they be made mandatory for companies in the UK. An executive summary of the recommendations is available here.

7. Glasgow Financial Alliance for Net Zero (GFANZ) launches consultation on its four transition finance strategies

On September 19, 2023, GFANZ announced that it had launched consultations seeking market feedback on its work to further refine the definitions of its transition finance strategies and support financial institutions to forecast the impact of these strategies on reducing emissions. The four strategies were developed last year with the goal of financing a whole economy transition to net zero, and include (i) developing and scaling climate solutions, (ii) financing assets that are already aligned to a 1.5C pathway, (iii) financing transitioning assets and (iv) phasing out high-emitting assets.

8. International Accounting Standards Board (IASB) announces it is exploring targeted actions to improve reporting of climate-related uncertainties

The IASB announced on September 20, 2023 that it is exploring targeted actions to improve reporting of climate-related and other uncertainties in financial statements, including publishing education materials and making targeted amendments to IFRS Accounting Standards. IASB materials relating to this project can be found here.

9. Intercontinental Exchange (ICE) announces plans to launch a physically delivered futures contract for carbon credits in the aviation industry

ICE announced on September 21, 2023 that it plans to launch a physically delivered futures contract for carbon credits eligible for use under the Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA), an ICAO global market-based carbon credit scheme which allows airline operators to offset carbon dioxide emissions by retiring carbon credits. The contract launch is planned for October 9, 2023.

10. Nature Action identifies 100 companies to be targeted in an investor engagement process

Nature Action 100 published list of 100 target companies in which 190 institutional investor participants will engage to drive greater corporate ambition and action in key sectors with environmental impact. The companies have been selected on the basis that they have large market capitalization in sectors deemed to be systemically important in reversing nature loss, and analysis conducted by the Biodiversity Foundation indicates that they have a high potential impact on nature. Current actions to mitigate nature-based risks are not taken into account. US and Chinese companies are at the top of the list. **II. UNITED KINGDOM**

1. UK government confirms it will consider withdrawing from Energy Charter Treaty if vital modernisation is not agreed

On 1 September 1, 2023, the UK government announced it is reviewing its Energy Charter Treaty membership and considering withdrawal if vital modernisation to the treaty, which has historically provided protections for fossil fuel investors, is not agreed. Members of the multilateral treaty, signed in 1994 to promote international investment in the energy sector, have been in negotiations since 2020 to modernise the treaty to reflect modern energy priorities and support the green transition, but this is being hampered by the decisions of several member states to leave the treaty.

2. Green Finance Institute publishes technical advice to UK government on developing and implementing a UK Green Taxonomy

On September 8, 2023, the Green Finance Institute's Green Technical Advisory Group (GTAG) published two reports containing recommendations to the government as part of its ongoing provision of non-binding advice on market, regulatory and scientific considerations for developing and implementing a UK Green Taxonomy. The report on operational considerations for taxonomy reporting advises on how to ensure data gaps are minimised to support more robust and decision-useful taxonomy disclosures without placing undue burden on businesses. It includes considerations on the use of proxies and estimates in taxonomy. reporting. The report on treatment of green financial products under an evolving UK Green Taxonomy advises, firstly, on how activities previously considered environmentally sustainable are affected when the UK Green Taxonomy is implemented, and, secondly, on how taxonomy-aligned activities, products and investments are treated when the taxonomy evolves over time.

3. UK government announces plans to invest up to £650 million in new alternative R&D programmes

Following its decision not to associate to Euratom Research and Training Programme, the UK government announced on September 7, 2023 that it plans to implement a suite of new, alternative R&D programmes to support the UK's nuclear fusion sector and strengthen international collaboration in support of the UK Fusion Strategy. This is in addition to the £126 million announced in November 2022 to support UK fusion R&D programmes. Further details on the alternative programmes will be set out later in the Autumn.

4. UK government announces £45.7 million for businesses to cut emissions and boost home-grown energy through government-backed projects

The UK government announced on September 13, 2023 that 26 businesses will receive a share of £45.7 million in an effort to clean up industrial processes and reduce business energy costs whilst supporting the UK's transition to a cleaner more secure energy system. The UK's largest malting site, a leading supplier of household paper and an innovative green fuel producer in Belfast are among those receiving part of this funding.

5. UK Treasury publishes draft statutory instrument updating the UK Emissions Trading Scheme

On September 19, 2023 HM Treasury published a draft statutory instrument amending the Greenhouse Gas Emissions Trading Scheme Order 2020, which established the UK ETS Scheme. The instrument seeks to update the UK ETS Scheme by (i) providing for the capping of aviation free allocation at 100% of emissions, (ii) clarifying the treatment of Carbon Capture and Storage plants in order to resolve some inconsistencies in how capture activities and installations are currently dealt with by the legislation, and (iii) amending free allocation rules for electricity generation so that operators can change their classification as an electricity generator if they have recently stopped exporting electricity. According to the accompanying explanatory memorandum, the capping of aviation free allocation is intended to support the UK's decarbonisation objectives and increased climate ambition in a way that maintains the market signal the UK ETS sends and supports a viable market. In 2021, aviation free allocation represented around 127% of the sector's verified emissions, representing an over-allocation of more than 900,000 ETS allowances worth around £50 million, which the operators were able to sell for profit. The cap will operate by requiring aircraft operators to return allowances in excess of emissions at the beginning of a scheme year.

6. UK Prime Minister announces delay to ban on sale of new petrol and diesel cars

On 20 September Prime Minister Rishi Sunak announced the postponement of a series of policies that form part of the UK's wider net zero targets, including a ban on the sale of new diesel and petrol cars from 2030 to 2035. This shift in policy has prompted a backlash from the UK automotive industry, which warned it would undermine investment certainty and complicate their plans to boost EV sales in the country this decade. The prime minister stated that the five-year delay aligns the UK with EU policy on the phase out of diesel and petrol cars.

7. UK financial regulators set out proposals to boost diversity and inclusion in regulated financial services firms

On September 25, 2023 the Financial Services Authority and Prudential Regulation Authority published consultation papers on proposals aimed at boosting diversity and inclusion to support healthy working cultures, reduce groupthink and unlock talent; enhancing the safety and soundness of firms; and improving understanding of diverse consumer needs. The proposed measures include requirements on firms to develop a diversity and inclusion strategy, disclose data against certain characteristics, and set targets to address under-representation. The FCA's consultation paper is available here and the PRA's consultation paper is available here. The consultation is open until 18 December 2023. **III. EUROPE**

1. European Parliament publishes study on establishing a horizontal European climate label for all products

The European Parliament released a study on September 5, 2023 which concludes that further preparation is required before a voluntary climate labelling scheme across all product categories can be established under EU law, including harmonizing and simplifying European product environmental footprint (PEF) methodology. Most current labelling schemes only supports comparisons within specified product groups, not between products of different categories; and the study refers to general agreement that it is desirable that it is important for consumers to be provided with information allowing them to directly compare products rather than just identifying the "best in class" products. However, the study also considers that it remains an open question as to whether a climate labelling scheme is desirable or whether it would be preferable to have a broader coverage of environmental impact categories, as suggested in the proposal for a Green Claims Directive.

2. European Parliament adopts revised Renewable Energy Directive

On September 12, 2023, the European Parliament passed the revised Renewable Energy Directive, (RED III), which updates the previous RED II. The updates are driven by the REPowerEU strategy presented on May 18, 2022, which seeks to reduce the EU's reliance on Russian fossil fuel imports, as well as by the EU's Green Deal and "Fit for 55" legislative package. The new directive stipulates the increase of the share of renewables in the EU's final energy consumption by 2030 to a new binding target of 42.5% , but asks Member States to collectively strive to achieve a target of 45%, in line with the RePowerEU Plan. Among other changes, the new directive provides that industry will need to increase the share of renewable sources in the amount of energy sources used for final energy and non-energy purpose at an annual rate of 1.6%. The Council of the European Union formally adopted the directive on 9 October 2023.

3. European Commission proposes to raise monetary size threshold under Accounting Directive by 25% to account for inflation, removing micro- and SMEs from scope of Corporate Sustainability Reporting Directive

On September 13, 2023, the Commission issued an initiative to adjust upwards the thresholds in the Accounting Directive for determining the size category of a company, in order to account for the impact of inflation. The Commission states that the proposed increase would result in micro, small and medium-sized enterprises falling outside the scope of many EU sustainability (as well as financial) reporting provisions applicable to larger companies. The thresholds under the Accounting Directive have remained unchanged since 2013. A public consultation on the initiative closed in early October. Separately, Germany is pushing for the definition of SMEs to be expanded by raising the thresholds from 250 to 500 employees in order to exclude between 7,500 and 8,000 companies from the scope of the sustainability reporting rules (as reported by the Financial Times on September 18, 2023 on the basis of a government coalition document seen by the newspaper). France has been consulted on the proposal but has not yet divulged its position, while EU lawmakers are resistant to making late changes to the reporting rules adopted only this year.

4. European Parliament approves law requiring 70% green jet fuels at EU airports by 2050

The European Parliament announced on September 13, 2023 that MEPs have adopted a legislative proposal to accelerate the use of sustainable fuels in the aviation sector (position paper here). It is part of the EU's plan to reduce greenhouse gas emissions by at least 55% by 2030 and achieve climate neutrality by 2050 as part of its "Fit for 55" package. The law will require EU airports and fuel suppliers to ensure that, from 2025, at least 2% of aviation fuels are green, increasing every five years to reach 70% by 2050. "Green fuels" include synthetic fuels, specific biofuels, recycled jet fuels, and renewable hydrogen, and exclude feed and food crop-based fuels and those derived from palm and soy materials. The proposal includes introduction of a voluntary EU label for flight environmental performance 2025, to allow passengers to compare flights based on carbon footprint and efficiency. Once approved by the European Council, the new regulations will take effect from 1 January 2024 and 1 January 2025.

5. European Commission launches consultation on the functioning of the Sustainable Finance Disclosures Regulation

On September 14, 2023, the Commission launched a targeted consultation and a public consultation seeking feedback on whether the Sustainable Finance Disclosure Regulation (SFDR) meets stakeholders needs and expectations and is fit for purpose—in particular, whether there are shortcomings in terms of legal certainty, useability of the regulation and its ability to help tackle greenwashing. The targeted consultation is addressed to public bodies and stakeholders who are more familiar with the SFDR and the EU's sustainably finance framework as a whole, including financial market participants, investors, NGOs, relevant public authorities and national regulators. The public consultation is addressed to individuals and organisation with more general knowledge of the SFDR. The consultation is open until December 15.

6. Regulations for Carbon Border Adjustments Mechanism (CBAM) reporting published in the Official Journal of the European Union (OJEU)

The European Commission's Implementing Regulation on the Rules for the application of CBAM was released in the OJEU on September 15, 2023 and came into effect on September 16, 2023 across all EU member states. Guidance documents are available here. The CBAM will require EU-based importers of goods in certain sectors to purchase certificates for carbon emissions at a price equivalent to the weekly EU Emissions Trading System carbon price (which applies to EU-based producers). By applying a carbon price on imports equivalent to the carbon price of EU production, CBAM aims to levels the playing field of the price of carbon for CBAM products inside and outside the EU. The Implementing Regulation outlines the reporting requirements for importers of CBAM goods within the EU and provides a temporary method for calculating the emissions integrated into the production of these goods during the transitional period, which will last from 1 October 2023 to 31 December 2025. The first report is to be submitted by 31 January 2024. The transitional period, and the reports from importers received during such period, will be used to assess the scope of CBAM and how it will apply during the definitive period from 1 January 2026.

7. EU provisionally agrees to ban "climate neutral" and other greenwashing claims by 2026

The Parliament and Council announced on September 19, 2023 that they have reached a provisional agreement on the proposed directive to empower consumers for the green transition, which is designed to ban misleading advertisements and provide consumers with better information on product durability. Among other things, it has been agreed that generic environmental claims such as "environmentally friendly", "natural", "biodegradable", "climate neutral" or "eco" will be banned where there is not proof of recognised excellent environmental performance relevant to the claim; and claims that a product has neutral, reduced or positive impact on the environment that are based on emissions offsetting schemes will be banned outright. Prompting the consumer to replace consumables such as printer ink cartridges earlier than necessary, and presenting goods as repairable when they are not, will also be proscribed.

8. The Energy Efficiency Directive for the European Union has been published in the Official Journal of the European Union

The Energy Efficiency Directive (EU) 2023/1791 was published in the OJEU on 20 September, 2023 and will enter into force on 10 October, 2023, following which EU member states have two years to incorporate most of its provisions into their national law. The directive, which is part of the 'Fit for 55' package and the REPowerEU strategy, introduces key measures to boost energy efficiency, emphasising the 'energy efficiency first' principle which prioritises the consideration of cost-effective energy efficiency measures when formulating energy policies and making investment decisions. The directive contains notable changes from previous directives, including the establishment of a legally binding EU target to reduce final energy consumption by 11.7% by 2030, with each EU member state required to set its indicative national contribution. It further requires that members states prioritise vulnerable customers and social housing within their energy-saving efforts, introduces an annual energy consumption reduction target of 1.9% for the public sector, extends the annual 3% building renovation obligation to all levels of public administration, and introduces a new approach for businesses to implement energy management systems and conduct energy audits.

9. France becomes first EU member state to set deadline for implementation of Corporate Sustainability Reporting Directive

The French Ministry of Justice announced on September 20, 2023 that the Corporate Sustainability Reporting Directive (CSRD) will be transposed into law in early December, making France the first EU member state to set a deadline for implementation of the directive. It has been one of the leading members states on efforts to implement the new sustainability reporting rules. Under the current French draft law, French companies will engage their financial auditors, other auditors, or an independent assurance provider for CSRD assurance in order to comply with the new reporting obligations. The Finnish Government announced on September 28, 2023 that it has submitted its CSRD transposition proposal to the Finnish parliament.

10. Europeans Court of Human Rights hears complaint from six young people suing 32 European states for climate change

On September 27, 2023, six young Portuguese people aged between 11 and 24 appeared before the European Court of Human Rights in *Duarte Agostinho and Others v. Portugal and 32 Other States*, accusing European states of failing to tackle the human-caused climate crisis in violation of Article 2 (right to life) and Article 8 (right to respect for private and family life) of the ECHR especially when those obligations are read in the light of international climate treaties requiring signatory states to take steps to adequately regulate their contributions to climate change. Ukraine was among the original respondents but the case against it has been discontinued. The applicants are asking the court to find that countries contributing to the climate crisis have obligations not only to protect their own citizens but also those outside their borders. The claim, which was filed in September 2020, was granted priority treatment by the Court. A ruling is expected in the first half of 2024.

11. European Supervisory Authorities publish report on extent of voluntary disclosure of principal adverse impacts under Article 18 of Sustainable Finance Disclosures Regulation

On September 28, 2023, the Joint Committee of the three European Supervisory Authorities (EBA, EIPOA and ESMA) published its second annual report on extent of voluntary disclosure of principal adverse impacts under SFDR, based on a survey of National Competent Authorities to assess the current state of entity-level and product-level voluntary principal adverse impact (PAI) disclosures under the SFDR. The first annual report, which was published on July 28, 2022, concluded that the extent of take-up of the voluntary disclosures of principal adverse impact of investment decisions on sustainability factors varied significantly across jurisdictions and Financial Market Participants (FMPs) in the scope of the SFDR, making it difficult to identify definite trends. The second report finds that while there is still significant variation across FMPs and jurisdictions, there has been an overall improvement in the application of voluntary disclosures, which are also easier to find on company websites. It identifies areas for improvement, however: firstly, explanations of non-consideration of PAIs are not yet fully complete and satisfactory; and secondly, where these have been considered, the disclosures on the degree of alignment with the Paris Agreement are still vaguely formulated. Finally, the report identifies voluntary disclosures of PAI considerations by financial products as an area for future analysis in subsequent reports. **IV. United States** *State Law Updates:*

1. California passes legislation mandating climate-related disclosure and regulating "green" claims

In October, California enacted two bills that impose significant and mandatory climate-related reporting requirements on any public or private U.S. business entity meeting certain annual revenues levels and doing business in the state. The Climate Corporate Data Accountability Act (Senate Bill No. 253) requires companies with total annual revenues over $1 billion to publicly and annually report their Scope 1, 2, and 3 greenhouse gas emissions, and the Greenhouse Gases: Climate-Related Financial Risk (Senate Bill No. 261) requires companies (except insurance companies) with total revenues greater than $500 million to biennially report their climate-related financial risks and the measures taken to reduce and adapt to them. At signing, Governor Gavin Newsom expressed concerns regarding the timing and cost of the legislation, among others, and signalled his Administration would work to address these concerns in 2024. For further detail, please see our client alert and blog post. California also enacted Assembly Bill No. 1305, Voluntary Carbon Market Disclosures, which requires companies that market or sell voluntary carbon offsets (VCOs) in California to disclose on their website certain information about the applicable carbon offset project, including accountability measures for incomplete or unsuccessful projects. Companies operating in California that purchase or use VCOs and make "net zero" and "carbon neutral" claims would also be required to disclose information regarding the VCOs and support for their claims. *Securities and Exchange Commission (SEC) Updates:*

2. SEC Chair gives testimony to Congressional committee on the SEC's role in climate risk disclosure

On September 12, 2023, during testimony before the U.S. Senate Committee on Banking, Housing and Urban Affairs SEC Chair Gary Gensler said that while the SEC has no role as to climate risk itself and is neutral as to the merit of the climate-related risks taken by investors, it plays an important role in relation to the disclosures of those risks. Gensler added that the SEC is currently considering more than 15,000 comments on its March 2022 proposed climate change disclosure rules.

3. SEC amends the "Names Rule," with expected impact on ESG funds

On September 20, 2023, the SEC announced that it adopted amendments to modernize and enhance the Investment Company Act "Names Rule," which prohibits fund names from misrepresenting the fund's investment and risks. The amendments are designed to increase investor protection by (among other things) broadening and enhancing the requirement for certain funds to adopt a policy to invest at least 80% of the value of their assets in accordance with the focus that the fund's name suggests; targeting, in particular, fund names that indicate an ESG focus in the fund's investment decisions. The final rule is available here, and the fact sheet is available here.

4. SEC Investor Advisory Committee approves recommendations for human capital management disclosure standards

At a meeting on September 21, 2023, the SEC Investor Advisory Committee (IAC) made recommendations to the SEC to expand the existing human capital management disclosure rules adopted by the SEC in August 2020 and to a July 2023 proposal by the Financial Accounting Standards Board (FASB) to require that companies show employee compensation costs included in their income statement. The IAC views these existing initiatives as insufficient to give investors the full information needed for accurate valuation of human capital. The IAC recommended that the SEC's new rules (which are expected to be proposed soon) require (i) narrative disclosure of how a company's labor practices, compensation incentives and staffing fit within the company's broader strategy, and (ii) disclosure of specific items including:

- the number of employees who are full-time, part-time or contingent;
- turnover or comparable workforce stability metrics;
- total cost of the issuer's workforce, broken down into major components of compensation; and
- workforce demographic data sufficient to allow investors to understand the company's efforts to access and develop new sources of talent, and to evaluate the effectiveness of these efforts.

U.S. Government Updates:

5. S. Treasury publishes nine principles highlighting emerging best practices for private sector financial institutions with net-zero commitments

On September 19, 2023, the U.S. Treasury issued a series of voluntary Principles for Net-Zero Financing & Investment as part of an effort to accelerate the green transition by catalyzing more private sector investment into climate change projects. The Principles are focused on financial institutions' Scope 3 financed and facilitated greenhouse gas emissions (i.e., those for which the institutions are not directly responsible, but which are produced in their upstream and downstream value chains) – and are directed in particular at those firms that have made or are considering making a net-zero commitment.

6. President Biden approves Interagency Working Group recommendations to federal government agencies for expanded use of Social Cost of Greenhouse Gases metric in budgeting decisions

On September 21, 2023, the Biden Administration announced the approval of Interagency Working Group recommendations to expand use of the Social Cost of Greenhouse Gases metric—which has been in use by federal agencies for over a decade—in budgeting, procurement, and other agency decisions. This follows an estimate by the Office of Management and Budget that annual federal spending could increase by over $1 billion from climate-related disasters and annual federal revenue could be reduced by up to $2 trillion by 2100. **V. APAC**

1. ESG Book and Sustainable Finance Institute Asia to collaborate on pilot ESG data disclosure initiative

On August 30, 2023, ESG Book (a digital platform for ESG data management disclosure and analytics) announced it would be partnering with Sustainable Finance Institute Asia on the Single Accesspoint for ESG Data ("SAFE") Initiative – a pilot initiative to address ESG data requirements and disclosure gaps in Asian markets. Leading financial organisations in Asia have been invited to participate in the pilot.

2. South Korea proposes bill on human rights and environmental protection for corporate sustainable management

On September 1, 2023, the Democratic Party of South Korea proposed a Bill on Human Rights and Environmental Protection for Sustainable Business Management to make annual human rights and environmental due diligence on companies' supply chains mandatory. The proposal cites recent legislative developments in the EU as evidence of an "international movement" to introduce non-financial performance indicators into management for the goal of corporate social responsibility and sustainability. In its current form, the proposal would apply to companies with more than 500 full time employees or generating profits of more than KRW 200B in a year.

3. Singapore expands CO2 extraction project to enhance ocean carbon absorption

Singapore is set to scale up a pioneering pilot initiative led by the Public Utilities Board (PUB), Singapore's national water agency, and operated by US technology start-up Equatic, to harness electricity for carbon dioxide extraction from seawater, in order to boost the ocean's capacity to absorb emissions. PUB aims to secure funding by the end of 2023 for a demonstration facility capable of handling 10 tons per day, with plans for further expansion. This endeavour aligns with Singapore's commitment to achieving net-zero emissions by 2050 and reflects the growing recognition, as recognised by the Intergovernmental Panel on Climate Change, of the necessity of deploying carbon dioxide removals in addition to reducing emissions.

4. Shanghai Stock Exchange and owner of Saudi Exchange sign agreement to collaborate on various initiatives including ESG

Shanghai Stock Exchange and Saudi Tadawul Group, owner of the Saudi Exchange, signed a memorandum of understanding on September 3, 2023 to explore various avenues of cooperation on cross-listing, fintech and ESG initiatives, data exchange, and research. Saudi Arabia boasts the world's seventh-largest stock market with a total market cap of US$ 3 trillion, while China ranks second with a total market cap of approximately US$ 9.9 trillion.

5. Beijing Private Equity Association publishes set of principles for sustainable investment disclosure by private fund managers

The Beijing Private Equity Association (a voluntary joint initiative in the equity investment fund industry) published General Principles for Disclosure of Sustainable Investment Information for Private Investment Fund Managers on September 4, 2023. The principles are designed to provide guidance to private fund managers on disclosing sustainable investment information that meetings regulatory and stakeholder requirements, to standardise the disclosure of sustainable investment-related information within the sector, and to encourage fund managers to provide more comprehensive, transparent and accurate sustainable investment-related data and information for the capital markets.

6. China adopts in principle rules for management of voluntary greenhouse gas emission reduction trading

The Ministry of Ecology and Environment has approved in principle Management Measures for Voluntary Greenhouse Gas Emission Reduction Trading, in anticipation of the launch of China's voluntary greenhouse gas emission reduction trading market.

7. Philippines financial regulators propose green finance taxonomy

The Financial Sector Forum—a cross-industry regulator made up of the Bangko Sentral ng Pilipinas, the Insurance Commission, and Securities and Exchange Commission—has issued a proposed framework for a principles-based sustainable finance taxonomy, based in part on the ASEAN Taxonomy (as to which, see our previous alert here). Unlike other taxonomies that rely on specific environmental screening criteria, this approach allows issuers to use their judgment to assess compliance with high-level objectives, initially focusing on climate mitigation and adaptation. The taxonomy also incorporates social performance requirements, including human rights and the rights of the Indigenous community. A public consultation on the draft taxonomy was closed on October 6, 2023.

8. Malaysian Joint Committee on Climate Change meets to discuss climate-change reporting by financial institutions and newly established SME Focus Group

The Joint Committee on Climate Change (a collaboration formed in 2019 between Bank Negara Malaysia, Securities Commission, Bursa Malaysia and industry players known as "JC3") met on September 20, 2023, to review its progress and action plans—in particular of those of the committee's new SME Focus Group, which is tasked with taking action aimed at ensuring that SMEs are not left behind in the transition to a greener economy. Other items for discussion included supporting financial institution's implementation of the central bank's Policy Document on Climate Risk Management and Scenario Analysis, and intensified engagements with industry in advance of the upcoming industry-wide Climate Risk Stress Test.

9. Indonesian Stock Exchange launches first carbon exchange

On September 26, 2023, President Joko Widodo announced that Indonesia has launched the Indonesia Carbon Exchange (IDX Carbon). This follows the release by the Indonesian Financial Services Authority (OJK) of Regulation No. 14/2023, which provides a general regulatory framework for carbon trading in Indonesia. The President emphasised that carbon trading in Indonesia should reference international standards but that these should not obstruct Indonesia’s achievement of its Nationally Determined Contribution target.

Please let us know if there are other topics that you would be interested in seeing covered in future editions of the monthly update.

Warmest regards,

Susy Bullock Elizabeth Ising Perlette M. Jura Ronald Kirk Michael K. Murphy Selina S. Sagayam

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Related Capabilities

Environmental, Social, and Governance (ESG)

Securities Regulation and Corporate Governance