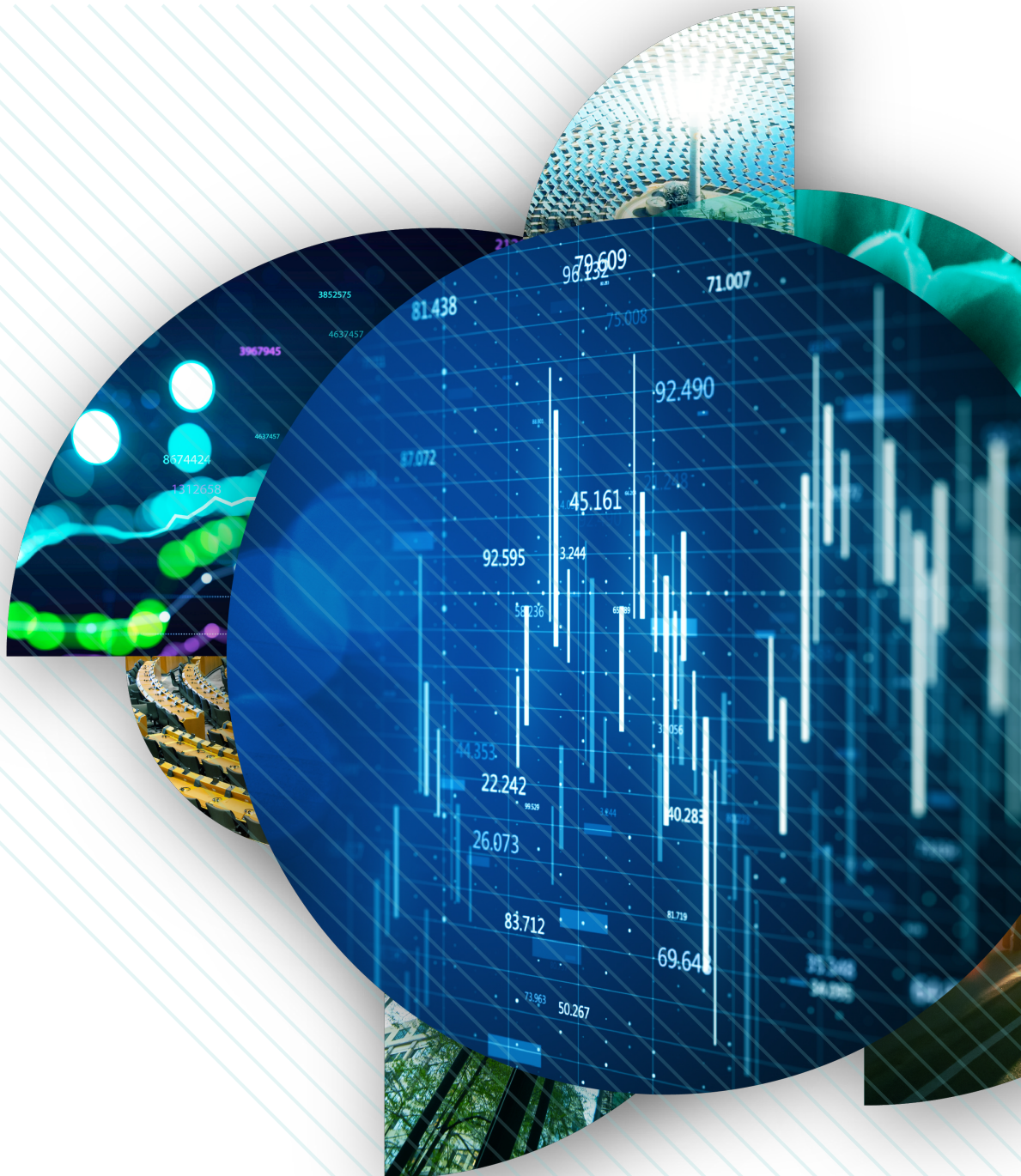


Financial Services regulatory ESG updaters

May – June 2024



Introduction

Environmental, Social and Governance (ESG) is changing the landscape for financial institutions as a wide range of stakeholders including investors increasingly expect them to make their operations more sustainable. Financial services regulators also view ESG as a priority, embedding the principles of climate-related financial risks into their supervisory frameworks and dealing with institutions that may be making exaggerated or unsubstantiated sustainability-related claims that do not stand up to closer scrutiny (so-called 'greenwashing'). However, the key problem for institutions, particularly those operating cross border, is that there is limited uniformity in regulation, financial services regulators are at different stages in developing their ESG regulatory framework particularly in relation to disclosures and taxonomy. It is therefore critical that institutions monitor the latest announcements from the regulators.

The purpose of this updater is to track ESG regulatory developments from the period 4 May 2024 to 4 June 2024, from the United Kingdom, France, Europe Union, United States, Australia, and certain international regulators.

This month's highlights

15 May 2024 – New Briefing Note – The EU SFDR and the UK SDR examined

The Financial Conduct Authority (FCA) published its [finalised non-handbook guidance \(FG24/3\)](#) on the anti-greenwashing rule. The guidance is intended to help firms understand and comply with the anti-greenwashing rule, which comes into force on 31 May 2024.

Last November the Financial Conduct Authority (FCA) published Policy Statement 23/16 (PS23/16) containing final rules and guidance on sustainability disclosure requirements (SDR) and investment labels (UK SDR regime). The rules and guidance are currently limited to UK asset managers and essentially the requirements comprise of two components, naming and marketing requirements so that products cannot be described as having a positive impact on sustainability when they do not and a product labelling regime designed to help investors understand what their money is being used for, based on sustainability goals and criteria and naming. PS23/16 also saw the FCA introduce an anti-greenwashing rule which applies to all FCA authorised firms.

Many asset management firms that are subject to the UK SDR regime were already subject to the EU Sustainable Finance Disclosure Regime (EU SFDR). In particular, many would have invested in systems and processes to classify products according to the EU SFDR provisions. Whilst the FCA has said that the regimes are compatible and that much of the information used for product categorisation and disclosures under the EU SFDR may be used to meet the qualifying criteria and disclosure requirements under the UK SDR regime there remains some important differences.

In our [latest briefing note](#), we discuss many of these differences.



United Kingdom

7 May 2024 - LSB one year on report – access for deaf customers in banking and credit

Last May the Lending Standards Board (LSB) issued a [report](#) on access for deaf customers in banking and credit. The report included insights and considerations aimed at helping the financial services industry to understand deaf cultures and address remaining areas of inaccessibility for deaf people. Within the report, the LSB looked at key considerations to deliver the tailored and responsive support required.

This latest report notes that across the LSB's registered firms progress has been made in almost all of the seven key deaf accessibility services highlighted last year: text relay; induction loops; British Sign Language (BSL) availability in branch; remote access BSL; lip speakers; note takers; and web BSL translations. Among LSB registered firms, particular improvements have been seen in the availability of remote-access BSL, lip speakers, note takers, and online BSL translation.

The latest report coincides with UK Deaf Awareness Week (6-12 May), and includes research, carried out in conjunction with SigningBanks.UK, a new website designed to enhance the experience of deaf people when engaging with banks and lenders.

14 May 2024 – HMT, PRA and FCA respond to Treasury Committee's Sexism in the City report

The House of Commons' Treasury Committee (**Committee**) has published a [report](#) setting out the responses of HM Treasury, the Financial Conduct Authority (**FCA**) and the Prudential Regulation Authority (**PRA**) to its [March 2024 report](#) on sexual harassment and bullying in the financial services sector.

In the Committee's report, published in March 2024 as part of its Sexism in the City inquiry, MPs found that many of the barriers to women remain stubbornly in place and firms still treat diversity and inclusion as a 'tick box' exercise rather than a core business priority. The Committee called for a number of changes to existing workplace practices. One reform put forward was a total ban on the use of non-disclosure agreements (**NDA**s) in all harassment cases.

HM Treasury's response

In its response, HM Treasury highlights action it has taken in preventing the use of NDAs in other sectors and states that an NDA would 'most likely' be unenforceable when related to reporting a crime to the police. It does not commit to taking forward the Committee's recommendation.

Another recommendation made by the Committee was for stronger protections for sexual harassment whistleblowers, a ban on prospective employers asking for salary history and a legal requirement to include salary bands on job adverts. HM Treasury confirms in the response that it is continuing to review the whistleblowing framework with a view to understanding how it can be improved.

Chair of the Treasury Committee, Dame Harriett Baldwin, said: *"Backed up by a huge amount of compelling evidence, our Committee set out a number of recommendations which would create a fairer, safer environment for talented women trying to get on in the UK's world-leading financial services sector. Steps like banning NDAs in all harassment cases and removing biases which benefit men in salary negotiations are straightforward, logical measures which would have a huge impact on people's lives. I would continue to urge the Government to increase the pace of progress and competitiveness in this important sector."*

PRA's response

The PRA's response includes an update on its consultation process, since publishing its consultation [CP18/23](#) in September 2023. It notes that it is currently considering the responses received to the consultation, along with feedback from industry roundtables and other engagement with stakeholders during the consultation period, and confirms that alongside these it will carefully consider the Committee's recommendations in determining any next steps (about which no decisions have yet been made).

The response then moves on to address each of the specific report recommendations addressed to the PRA. This includes noting that the PRA has committed to monitor the effects of the removal of the bonus cap on firms' remuneration structures, with the intention of monitoring the prudential impact of incentives as well as individual and collective accountability in firms. The PRA confirms that it will work with the FCA, the Government Equalities Office (**GEO**) and the Equality and Human Rights Commission (**EHRC**) on this and will seek to review the policy at the earliest opportunity that sufficient evidence is available.

FCA's response

By way of update on its work relating to diversity and inclusion, the FCA states that, alongside the PRA, it is still working through responses to its consultation [CP23/20](#), and will carefully consider what its role should be in light of the Committee's views and those of respondents. The FCA plans to take the time necessary to consider next steps and set out how it has taken the Committee's report into account when publishing its final policy.

One point worth highlighting from the FCA's response to the report's specific recommendations is that the FCA is now prioritising its work on non-financial misconduct, including sexual harassment and bullying, and it will take some time to fully consider the very wide range of responses received to its proposals on diversity and inclusion.

The FCA also agrees with the Committee that it is important to monitor and formally review the impact of the bonus cap on gender pay and inequality, and confirms that it will work with the PRA, GEO and EHRC to carry out this review.

In addition, on whistleblowing, the FCA confirms that it is currently considering how to improve its approach to whistleblowing, and will take the opportunity to consider how to communicate publicly any changes it makes.

16 May 2024 - Sustainability Disclosure Requirements: Implementation Update 2024

The Government has published [Sustainability Disclosure Requirements: Implementation Update 2024](#).

The document discusses timings for the following components of the UK's sustainability disclosure requirements:

- **IFRS Sustainability Disclosure Standards:** The Government aims to make the UK-endorsed ISSB standards available in Q1 2025. The endorsement process will assess the standards and, subject to a positive endorsement decision, will conclude with the publication of UK-endorsed standards. These will be known as UK Sustainability Reporting Standards. Subject to a positive endorsement decision by the Government, and following a consultation process, the FCA will be able to use the UK Sustainability Reporting Standards to introduce requirements for UK-listed companies to report sustainability-related information. Subject to a positive endorsement decision, the Government will also decide on disclosure requirements against UK Sustainability Reporting Standards for UK companies that do not fall within the FCA's regulatory perimeter. The Government expects a decision regarding future requirements to be taken in Q2 2025.
- **Transition Plan Disclosures:** Given the overlap between IFRS S2 and the Transition Plan Taskforce (TPT) Disclosure Framework, the FCA plans, through its consultation on implementing UK-endorsed ISSB standards, to consult on strengthening its expectations for transition plan disclosures with reference to the TPT Disclosure Framework. Given the important role of transition planning across the economy, the Government will consult shortly on how the UK's largest companies can most effectively disclose their transition plans, meeting a key commitment of last year's Green Finance Strategy.

- **SDR & Investment Labels:** In January 2024, the Government announced that it intends to consult on whether to broaden the scope of SDR to include funds under the Overseas Funds Regime. The Government intends to issue this consultation in Q3 2024.
- **UK Green Taxonomy:** The Government expects to consult in due course on the proposed UK Green Taxonomy.
- **Nature-Related Disclosures:** The Government welcomes initiatives such as the Taskforce on Nature-related Financial Disclosures (TNFD) and encourages institutions to engage in the TNFD UK National Consultation Group and consider the recommendations.

16 May 2024 - DBT - Framework and Terms of Reference for the Development of UK Sustainability Reporting Standards

The Department for Business & Trade (DBT) has published a document, [Framework and Terms of Reference for the Development of UK Sustainability Reporting Standards](#).

In March 2023, the Government published [Mobilising green investment: 2023 green finance strategy](#). In this document the Government committed to establishing a framework to assess and decide whether to endorse IFRS Sustainability Disclosure Standards for use within a UK context.

In this latest document the Government explains that endorsement process in more detail, and its associated roles and responsibilities together with the UK regulators, standard-setters and advisory committees. In addition, the document explains how the Government, FCA and other parties will work together to co-ordinate future decisions to implement UK Sustainability Reporting Standards.



European Union

7 May 2024 - 10 things to know about the EU Corporate Sustainability Due Diligence Directive

On 24 April 2024, the European Parliament plenary formally adopted the proposal for a [Directive on Corporate Sustainability Due Diligence](#) (CSDDD or the Directive). This note summarises ten key issues enterprises active in the EU should know about the Directive.

1. Aim of the CSDDD

The CSDDD will serve a number of purposes. First, the CSDDD should improve corporate governance practices to better integrate risk management and mitigation processes of human rights and environmental risks and impacts, including those risks that stem from value chains, into corporate strategies. Second, the CSDDD is aimed at increasing corporate accountability for adverse impacts, and ensuring coherence for companies with regard to obligations under existing and proposed EU legislation as well as policies on responsible business conduct. Finally, the CSDDD should improve access to remedies for persons affected by adverse human rights and environmental impacts of corporate behaviour.

2. Scope

Article 2 sets out the scope of the CSDDD. Initially, the European Commission (**Commission**) proposed to make the CSDDD applicable to EU companies with more than 500 employees and a net worldwide turnover of more than EUR 150 million. In addition, EU companies with more than 250 employees and a net worldwide turnover of more than EUR 40 million would also fall within the scope of the Directive, if at least half of their net turnover was generated in a high-risk sector. The Directive defines what sectors are high-risk and these are: the manufacturing of textiles, leather and related products; agriculture, forestry and fisheries; and the extraction and manufacturing of mineral products.

However, following extensive negotiations, the scope of the Directive has been adjusted in the sense that it applies to EU companies with 1,000 employees or more and with a

net worldwide turnover of more than EUR 450 million, as well as companies of which the ultimate parent company of the group reached those thresholds. It is also important to note that the CSDDD extends to third-country companies that generate a net turnover of more than EUR 450 million in the EU. In addition, third-country companies that are part of a group of which the ultimate parent company generates a net turnover of more than EUR 450 million in the EU, also fall within the scope of the Directive. In-scope third-country companies must designate an authorised representative located within the Member State in which it operates. An authorised representative is a natural or legal person resident or established in the EU that is mandated by the company to act on its behalf in compliance with the CSDDD.

3. Interaction with other pieces of legislation

The CSDDD is an important component of the general EU policy on ESG issues. In particular, it interacts with the following EU initiatives and legislation:

- On 16 December 2022, The [Corporate Sustainability Reporting Directive](#) (CSRD) was published in the EU Official Journal. The CSRD amends the existing reporting requirements under the Non-Financial Reporting Directive (Directive 2014/95/EU) (NFRD) to introduce, among others, more detailed non-financial reporting requirements as well as a requirement to report according to mandatory EU sustainability reporting standards. The CSDDD is closely interlinked with the CSRD, as the CSRD requires setting up processes that are closely related to identifying adverse impacts in accordance with the due diligence duty introduced by the CSDDD (see point 5 below). The CSRD also covers the reporting phase of the CSDDD due diligence duty for companies that are within scope of both pieces of legislation.
- For financial market participants, Article 4 of the [Sustainable Finance Disclosures Regulation](#) ((EU) 2019/2088) (SFDR) requires in-scope entities to publish a statement on their due diligence policies with respect to the principal adverse impacts of their investment decisions on sustainability factors on a comply-or-explain basis. This requirement is, however, mandatory for financial market participants with more than 500 employees. The CSDDD will apply to a smaller group of companies (see point 2 above).

4. Due diligence obligations

Under Articles 5 to 7 of the CSDDD, Member States must ensure that in-scope companies, including the in-scope third country companies that operate within the Member State, integrate risk-based human rights and environmental due diligence into all their corporate policies and that they have a due diligence policy in place. The due diligence policy must contain a description of the company's approach to due diligence as well as a code of conduct. The due diligence policy must also provide a description of the processes put in place to implement due diligence in the company's processes, including the measures taken to verify compliance with the code of conduct and the extension of its application to established business relationships. The due diligence policy must be updated every 24 months. Generally, in-scope companies must apply the CSDDD for their upstream activities as well as for a subset of their downstream activities (this includes activities related to the sale, distribution, transport, storage and waste management of the company's products or services).

The CSDDD includes an exemption for financial undertakings. Financial undertakings that are in-scope to the CSDDD only need to apply the CSDDD for their upstream activities. The Directive does not apply to downstream business partners that receive services and products.

5. Adverse impacts

In-scope companies will be required to identify actual and potential adverse human rights impacts as well as actual and potential adverse environmental impacts arising from their own business operations or the business operations of their subsidiaries (see Article 8). If related to their value chain, companies must also identify these impacts (potentially) arising from their business partners.

Article 5 of the CSDDD requires in-scope companies to take appropriate measures to prevent or mitigate identified potential adverse human rights or environmental impacts. Where it is not feasible to prevent, mitigate, bring to an end or minimise all identified adverse impacts at the same time and to their full extent, companies should prioritise their actions based on the severity and likelihood of the adverse impacts. If it is not possible to bring the identified actual adverse impacts to an end, companies must minimise the extent of such an impact.

6. Complainants

Under Article 14 CSDDD, in-scope companies must have a complaints procedure in place that provides natural and legal persons with the possibility to submit complaints in the event of legitimate concerns regarding actual or potential adverse human rights or environmental impacts in connection with their own operations or value chains. Affected persons or persons that have reasonable grounds that they might be affected by an adverse impact could submit complaints. The complaints procedure must also be open to trade unions and other workers' representatives representing individuals working in the value chain concerned and civil society organisations that are active in the areas related to the value chain concerned. If a complaint is well founded, the adverse impact that was the subject of the complaint is deemed to be identified, which means that it must be prevented, mitigated or brought to an end in line with the CSDDD.

7. Climate transition plans

The CSDDD contains an obligation for in-scope companies to adopt a climate transition plan. The plan must ensure that the company's business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5 °C in line with the Paris Agreement and the EU's objective of achieving climate neutrality by 2050. Companies that report a transition plan in line with the CSRD framework are deemed to have complied with the CSDDD requirement as well. The climate transition plan needs to be updated every 12 months and contain a description of the progress the company has made towards achieving the Paris Agreement and climate neutrality targets.

8. Reporting

The CSDDD introduces due diligence requirements for which a reporting obligation exists under the CSRD. Companies that fall within the scope of the CSDDD but are not caught by the CSRD and NFRD are required to publish an annual statement on their websites describing their due diligence, potential and actual adverse impacts and actions taken on those. The Commission is required to adopt detailed rules on the content and form of the report by 31 March 2026.

9. Supervision, sanctions and civil liability

Supervision will take place at Member State level. Each Member State must appoint one or more supervisory authorities to assess compliance with the obligations described in points 4 to 8 above. Financial undertaking supervisors can also be designated as the supervisory authority for the purposes of the CSDDD with regard to in-scope financial undertakings. The supervisory authority will have investigatory powers and can impose pecuniary sanctions where the rules have been infringed. Pecuniary sanctions must be based on the sanctioned company's turnover. The Directive does not lay down an upper limit to the pecuniary sanction, so Member States are free to set it themselves.

The CSDDD also introduces civil liability for companies that fail to take appropriate measures to prevent or mitigate identified potential adverse human rights or environmental impacts, or that fail to end identified actual adverse impacts (see point 5 above). The company will in principle be liable for damages if the adverse impact occurred and led to damage.

10. Application and next steps

The European Parliament's formal adoption of the CSDDD marks one of the final stages of the EU legislative process. The CSDDD is expected to be published in the EU Official Journal in the coming weeks and enter into force 20 days later. Following its entry into force, Member States have two years to transpose the Directive into their respective national legal systems.

Significantly, the application of the Directive is staggered. The Directive will start to apply three years after its entry into force for EU companies with more than 5,000 employees on average and generated a net worldwide turnover of more than EUR 1.5 billion and third-country companies with a net EU turnover of more than EUR 1.5 billion. EU companies with more than 3,000 employees on average and generated a net worldwide turnover of more than EUR 900 million and third-country companies with a net EU turnover of more than EUR 900 million will become subject to the framework four years following its entry into force. All other in-scope companies will become subject to the CSDDD framework five years following its entry into force.

24 May 2024 - Council of EU formally adopts Corporate Sustainability Due Diligence Directive

The Council of the EU has announced that it has [formally adopted](#) the Corporate Sustainability Due Diligence Directive. After being signed by the President of the European Parliament and the President of the Council, the directive will be published in the Official Journal of the European Union and will enter into force on the twentieth day following its publication.

14 May 2024 - ESMA Guidelines on funds' names using ESG or sustainability related terms

The European Securities and Markets Authority (ESMA) has published a [Final Report](#) containing Guidelines on funds' names using ESG or sustainability related terms. The Final Report follows a [public consultation](#) which ran from 18 November 2022 to 20 February 2023 and a [statement](#) on 14 December 2023.

The objective of the Guidelines is to ensure that investors are protected against unsubstantiated or exaggerated sustainability claims in fund names, and to provide asset managers with clear and measurable criteria to assess their ability to use ESG or sustainability related terms in fund names.

ESMA reports that it received significant input from stakeholders to its consultation paper and that in the Final Report it has adjusted the Guidelines in several areas.

Such amendments include removing the 50% threshold for sustainable investments as this measure was criticised by stakeholders because the definition of Article 2(17) of the SFDR is considered too open to discretion by fund managers to function effectively as a specific threshold. However, the 80% threshold related to the investments used to meet environmental and/or social characteristics or sustainable investment objectives has been retained and has been applied to all terms in the Guidelines.

To reflect consultation feedback, the provisions for transition-related terms in fund names require, in addition to the 80% threshold, the application of Climate Transition Benchmark (CTB) exclusions only. This category of terms is intended not to penalise investment in companies deriving part of their revenues from fossil fuels. The transition-related terms include words such as "improving", "progress/ion", "evolution", "transformation", and any related words.

ESMA has also separated the terms related to social (S) and governance (G) from environmental (E) terms. The social and governance terms are included in the same group as the transition terms, allowing funds with those terms in their name to apply the CTB exclusions only. Environmental terms should still only be used by funds applying the Paris-aligned Benchmarks exclusions. The commonly used "ESG" and "SRI" abbreviations would still be considered environmental terms.

Next steps

The Guidelines will be translated into all EU languages and will subsequently be published on ESMA's website. They will start applying three months after that publication.

The transitional period for funds existing before the application date will be six months after that date. Any new funds created after the application date should apply the Guidelines immediately in respect of those funds.

15 May 2024 - Commission takes stock of how key pieces of climate legislation are operating

The European Commission has published [reports](#) on several key pieces of EU climate law including the EU Emissions Trading System (EU ETS).

Among other things it is noted that a review of the EU ETS will be presented in 2026 primarily focusing on whether to include waste management in the EU ETS from 2028 and whether it would be possible to integrate removals and non-permanent use of captured carbon in the EU ETS.



France

28 May 2024 – AMF encourages market participants subject to Decree 29LEC to read FAQs published by the French Treasury

In April 2024, the French Treasury published [FAQs](#), on the Ministry's website, which shed light on various aspects of Decree 29LEC reporting, following various questions being raised with the French Treasury.

The Autorité des Marchés Financiers (**AMF**) is encouraging market participants, subject to Decree 29LEC, to read these FAQs.



United States – SEC and CFTC

There has been no reported U.S. activity this month.



Australia

14 May 2024 – Australian Federal Budget 2024-25

The Australian Treasurer delivered the [Federal Budget for 2024-25](#) announcing a number of significant measures to promote sustainable finance and to support the production of renewable energy. A core part of the Australian 2024-25 Budget is the [‘Future Made in Australia’ framework](#) which aims to secure Australia as a global renewable energy leader. The agenda includes a “net zero transformation” stream and an “economic security and resilience” stream.

As part of this agenda, the Australian Government has committed to mobilise private sector investment in sustainable activities and developing a labelling regime for financial products marketed as sustainable.

The Government also plans to invest \$399.1 million to establish the Net Zero Economy Authority to coordinate Australia’s net zero transition. The authority will be responsible for facilitating public and private participation and investment in emissions reduction and net zero transformation projects across Australia.

28 May 2024 – Australian Sustainable Finance Taxonomy

The Australian Sustainable Finance Institute (AFSI), in partnership with the Australian Government Treasury, has recently opened its [first round of public consultation](#) regarding the development of an Australian sustainable finance taxonomy.

The [Australian Taxonomy Development Project \(Project\)](#) commenced in July 2023 as a joint industry-government initiative aimed at building a framework to classify economic activities and assets that positively contribute to key sustainability objectives. The Project aims to drive capital that will decarbonise the economy to allow Australia to reach its global climate goals, and to improve the quality of information available to investors to ensure sustainability definitions are credible, comparable and usable to promote transparency and reduce greenwashing.

This first consultation stage, which will close after 30 June 2024, seeks feedback from stakeholders on the draft climate change mitigation criteria that has been developed for the Project’s first three priority sectors:

1. Electricity generation and supply
2. Minerals, mining and metals
3. Construction and the built environment

AFSI will publicly consult on the draft climate change mitigation criteria for additional priority sectors, a ‘Do No Significant Harm’ framework, Minimum Social Safeguards, and proposals around the taxonomy’s implementation

5 June 2024 – ASIC succeeds in its proceeding against ActiveSuper

On 5 June 2024, the [Federal Court of Australia](#) decided in favour of the Australian Securities and Investments Commission (ASIC) in its proceeding against LGSS Pty Ltd (ActiveSuper), finding ActiveSuper had engaged in ‘greenwashing’ by making false or misleading representations to the market relating to ethical and responsible exclusions and screens applied to its funds.

Specifically, ActiveSuper made representations on its website, social media and disclosure documents that it would “not invest” or would “eliminate” investments in tobacco, companies that derived more than 10% of revenue from gambling, companies that derived more than one-third of revenue from oil tar sands or coal mining, and following the Ukraine war, investments involving Russia.

Justice O’Callaghan held that the broad representations by Active Super were not qualified or subject to caveats, and that its indirect holdings in companies it claimed to have excluded, meant that the representations about their exclusionary screens were false or misleading.

This is the third proceeding alleging ‘greenwashing’ that ASIC has succeeded in. ‘Greenwashing’ remains one of [ASIC’s core enforcement priorities](#), and it is likely that the regulator will continue to take enforcement action against financial services companies, including funds, in relation to this issue. To date, ASIC has achieved more than [60 corrective disclosure outcomes and issued 17 infringement notices](#) in relation to greenwashing.

International regulators – FSB, IOSCO, Basel Committee, NGFS, SASB, IFRS, ISSB

16 May 2024 - NGFS reports on Sustainable and Responsible Investment for Central Banks

The Network for Greening the Financial System (NGFS) has published a cover report and two technical documents on Sustainable and Responsible Investment (SRI) for Central Banks.

[The cover report](#) reviews SRI in central banks' portfolio management, with practices and recommendations. It puts forward ten recommendations for central banks to deepen their understanding of SRI policies and improve their SRI practices. These are based on a step-by-step approach (Measure, Act and Evaluate), inspired by the climate framework of the United Nations Principles for Responsible Investment. A wide variety of case studies is included in the cover report to encourage those central banks that have not yet embraced SRI practices to lever off the experience gained by first movers. Similarly, central banks at the forefront are challenged to further enhance their SRI practices with the aim of meeting the goals of the Paris Agreement.

The ten recommendations draw on insights from earlier NGFS publications, as well as case studies, market intelligence, academic literature and a survey amongst NGFS members. Notably, the survey showed that over the past three years, many central banks have taken steps to formalise their SRI policies, further embed sustainability considerations in their governance structures and report more consistently on climate-related risks and opportunities.

The two technical documents provide deep dives into ways for central banks to take climate change into account in their non-monetary investments in corporates or in sovereign debt. The first technical document ([Decarbonisation strategies for corporate portfolios of central banks](#)) discusses how central banks can integrate net-zero considerations into their investments in equity and corporate bonds. It also explores several challenges that central banks face when implementing these strategies.

The second document ([Considering climate-related risks and transition impact in the sovereign investments of central banks](#)) looks at sovereign debt. It describes available metrics that can inform strategies to capture climate-related risks, opportunities, and impacts on central banks' sovereign holdings. It also offers advice on implementing these strategies.

Dr Sabine Mauderer, Chair of the NGFS, Member of the Executive Board of the Deutsche Bundesbank:

“Central banks ought to understand and respond to the risks that climate change poses for the integrity of their balance sheets. Aligning our own portfolios with sustainable and responsible investment (SRI) practices can help us to meet this challenge. The results of the NGFS's survey show that central banks across the world are adopting SRI practices – which is laudable – but that many are still at an early stage of implementation. The reports offer practical guidance and recommendations to make us all more effective in tackling the risks resulting from climate change.”

Resources

ESG is high on the regulatory agenda. Businesses, governments, regulators, financial services firms and individuals all have a part to play in tackling climate change and this view is increasingly shared across society. In terms of financial markets, investors are increasingly seeking sustainable financial products and ESG investing, traditional investing combined with sustainable or otherwise philanthropic aims, has seen huge growth in recent years. Regulated firms are also seeking to improve their own ESG performance more generally to build stronger relationships with their stakeholders, including those who use their services. Whilst the growing emphasis on ESG presents opportunities for financial services providers, it also brings with it a number of risks, which need to be properly managed with a view to avoiding future regulatory investigations and enforcement.

We have produced a number of resources, including articles, podcasts and newsletters, to help clients navigate this evolving, complex landscape:



Financial services: Regulation tomorrow

Our blog, Financial services: Regulation tomorrow offers a convenient resource for those keeping track of the evolving and increasingly complex global financial services regulatory environment.



Financial Services Regulatory Developments in ESG

Developed by our global financial services regulatory lawyers and integrated risk advisory group, our Financial Services Regulatory Developments in ESG Hub provides resources and insights to help clients stay informed of key regulatory developments in the sector.



ESG and Sustainability Insights newsletter

Our ESG and Sustainability Insights newsletter brings together recent insights and resources on key topics affecting your business, including climate change and regulation, business and human rights, sustainable finance, energy transition and more.



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