

SECTORAL

UPDATES

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APRIL 2024





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EU Parliament Passes Sweeping Due Diligence Law

European Parliament, 24th April 2024

The European Parliament has passed new due diligence rules that require companies to minimize their adverse impacts on human rights and the environment. This directive, adopted with a vote of 374 for, 235 against, and 19 abstentions, mandates that firms and their supply chains prevent issues like child labor, labor exploitation, and environmental destruction. It applies to EU companies and non-EU companies operating in the EU that meet certain turnover and employee thresholds. Companies must integrate due diligence into their operations, improve business plans, and ensure compliance with the Paris Agreement by adopting a transition plan aimed at limiting global warming to 1.5°C. Non-compliance will result in fines up to 5% of net worldwide turnover and obligations to compensate victims for damages. Member states have two years to incorporate these rules into national law, with phased application starting in 2027. The legislation aims to promote responsible business conduct and sustainable economic practices.

<https://www.europarl.europa.eu/news/en/press-room/20240419IPR20585/due-diligence-meps-adopt-rules-for-firms-on-human-rights-and-environment#:~:text=The%20European%20Parliament%20approved%20with,on%20human%20rights%20and%20the>

FCA Introduces New Guidelines to Combat Greenwashing in Financial Products

The National Law Review, 30th April 2024

The UK's Financial Conduct Authority (FCA) has finalized its new rule to combat greenwashing, which will be enforced starting May 31, 2024. This rule mandates that any firm communicating financially in the UK must ensure that their statements regarding the sustainability characteristics of products or services are consistent, fair, clear, and not misleading. This initiative is part of a broader effort to address the greenwashing issue, which has become significant enough to warrant specific regulatory attention not only in the UK but globally, as similar measures are being implemented by the SEC in the U.S. and other regulatory bodies. The FCA's rule requires that claims about environmental, social, and governance (ESG) sustainability be substantiable, aiming to protect consumers from misleading claims about the green credentials of products. This move aligns with increasing regulatory scrutiny across jurisdictions aiming to uphold the integrity of ESG claims and ensure that they are verifiable.

<https://natlawreview.com/article/uk-financial-regulator-confirms-plan-combat-greenwashing>

Japan Advances Sustainability Reporting with New IFRS-aligned Standards

ESGtoday, 9th April 2024

The Sustainability Standards Board of Japan (SSBJ) has introduced new exposure drafts for sustainability and climate-related disclosure standards. These drafts are based on the International Financial Reporting Standards (IFRS) Foundation's International Sustainability Standards Board (ISSB) guidelines released earlier. This move is part of Japan's ongoing efforts to standardize sustainability reporting among listed companies, following enhancements in disclosure requirements by the Tokyo Stock Exchange and the Financial Services Agency. The new standards are closely aligned with the ISSB's standards but include some Japan-specific options and are divided into three drafts, unlike the ISSB's two. The SSBJ's drafts incorporate all elements from IFRS S1 and IFRS S2, with additional options for jurisdiction-specific customization. Public feedback is sought on these drafts, with finalized standards expected by March 2025. This initiative reflects Japan's commitment to aligning with global sustainability reporting norms and enhancing transparency in corporate environmental and social.

<https://www.esgtoday.com/japan-releases-proposed-ifrs-based-sustainability-reporting-standards/#:~:text=The%20Sustainability%20Standards%20Board%20of,the%20IFRS%20Foundation's%20International%20Sustainability>

ADB to Launch ASEAN Climate Finance Policy Platform for Enhanced Regional Action

Asian Development Bank, 3rd April 2024

The Asian Development Bank (ADB) announced the launch of the ASEAN Climate Finance Policy Platform, aimed at supporting Southeast Asian finance ministers in their efforts against climate change. ADB President Masatsugu Asakawa revealed the platform during a high-level policy dialogue at the ASEAN Finance Ministers and Central Bank Governors' Meeting in Luang Prabang, Laos. This initiative is set to strengthen economic and fiscal policies for regional climate action, enhancing collaboration among finance ministries. It will facilitate the sharing of experiences, capacity building, and the development of evidence-based policies, supported by ADB's technical assistance. This platform addresses the need for integrated climate risks into public investment and financial management, reflecting the increasing role of finance ministries in managing climate-related fiscal risks and mobilizing climate finance. The dialogue featured prominent financial leaders, including the Finance Ministers of Malaysia and Indonesia, underscoring a regional commitment to tackling climate change.

<https://www.adb.org/news/adb-readies-asean-climate-finance-policy-platform#:~:text=LUANG%20PRABANG%2C%20LAO%20PEOPLE'S%20DEMOCRATIC,c hange%2C%20ADB%20President%20Masatsugu%20Asakawa>



CLIMATE RISK

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IFC to Ramp Up Investments in India, Focusing on Climate Finance

IFC, 30th April 2024

The International Finance Corporation (IFC) is significantly boosting its investment efforts in India, addressing climate risk and focusing on financial inclusion, job creation, and addressing climate finance. This year, the IFC has increased its commitments in India to \$3.8 billion as of April 30, 2024, aiming to support the nation's ambitious climate goals and sustainable growth. The initiatives are concentrated on enhancing the private sector's productivity, particularly in areas like housing, climate action, and micro, small, and medium enterprises (MSMEs). These investments are intended to facilitate over 270,000 affordable housing loans and nearly 29,000 climate loans, contributing to a significant reduction in greenhouse gas emissions annually. Additionally, the IFC's efforts include driving financial inclusion with a substantial focus on gender equality and empowering women entrepreneurs, thereby supporting India's low-carbon development and bolstering the nation's economic resilience.

<https://pressroom.ifc.org/all/pages/PressDetail.aspx?ID=28136>

MUFG Triples 2030 Sustainable Finance Target to \$660 Billion

ESGtoday, 1st April 2024

Mitsubishi UFJ Financial Group (MUFG), based in Tokyo, has significantly increased its sustainable finance target for 2030 to 100 trillion yen (USD \$660 billion), nearly tripling the previous goal of 35 trillion yen. This revision was announced as part of MUFG's Medium-term Business Plan, which emphasizes driving social and environmental progress as a core focus. The plan includes the establishment of a new Sustainability Risk Office to manage sustainability risks like climate change. The decision follows the strong performance towards their earlier goals and growing demand for sustainable finance, which motivated MUFG to revise their objectives initially set in 2019. The bank has also updated various policies to better integrate considerations such as climate change, natural capital, and human rights into its operations, reaffirming its commitment to empowering a brighter future through its extensive network and diverse solutions.

<https://www.esgtoday.com/mufg-triples-2030-sustainable-finance-target-to-600-billion-on-strong-demand/>

BlackRock-Temasek Venture Raises \$1.4 Billion for Decarbonization-Focused Growth Fund:

Reuters, 25th April 2024

Decarbonization Partners, a collaborative venture between BlackRock and Temasek, has successfully raised \$1.4 billion for its first fund, surpassing its \$1 billion target. The fund, Decarbonization Partners Fund I, is aimed at supporting companies that contribute to the transition to a low-carbon economy. Significant contributors include U.S. insurer Allstate, Spanish lender BBVA, and energy company TotalEnergies, among more than 30 institutional investors from 18 countries. The fund has already made investments in seven companies, including those in low-carbon hydrogen, biotechnology, and electric battery materials. BlackRock CEO Larry Fink highlighted the dual purpose of the fund: to provide good financial returns and contribute to decarbonization. The fund is supported by Decarbonization Partners' global offices and seeks to generate long-term financial returns while facilitating a cost-effective energy transition through strategic, technical, and other forms of support to its portfolio companies.

<https://www.reuters.com/business/blackrock-backed-decarbonization-partners-raises-14-bln-first-fund-2024-04-25/>

UBS Debuts Net Zero-Aligned S&P 500 ESG ETF in European Markets

Acuity Knowledge Partners, 2nd April 2024

UBS Asset Management (UBS AM) has launched the S&P 500 Climate Transition ESG UCITS ETF, a pioneering investment fund that aligns with net-zero goals and enhanced ESG standards. This ETF, listed on The London Stock Exchange and SIX Swiss Exchange, is the first UCITS ETF based on a climate transition index derived from the S&P 500 universe. It complies with Article 9 of the EU's SFDR regulation and supports the Climate Transition Benchmark label, committing to a 1.5°C warming trajectory and a 30% reduction in GHG emissions compared to the market index. The ETF excludes investments in controversial weapons and incorporates rigorous screening processes, including checks for UN Global Compact violations and specific sector revenue thresholds, followed by assessments of carbon intensity and decarbonization trajectories. With 369 constituents, the ETF aims to minimize tracking error while carefully managing sector and industry exposure to ensure robust performance.

<https://www.acuitykp.com/esg-newsletter/ubs-launches-new-net-zero-aligned-sp-500-based-etf/>



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