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CLEARY GOTTLIEB

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Climate and the Financial Sector

This weekly newsletter highlights climate-related regulatory, litigation and enforcement developments relevant to the financial sector.

EU Updates

General

28 November: **Landmark CSRD reform on sustainability reporting obtains final approval.**

The EU Council gave its approval to the compromise text of the Corporate Sustainability Reporting Directive (CSRD), as passed in November by the EU Parliament. Member States will now have 18 months to implement the new rules under national law. CSRD reporting requirements will be phased in gradually, starting with financial reports to be issued in 2025 (for FY 2024) by companies already subject to the NFRD. Within the year 2029, the rules will gradually come to apply to (1) all large EU companies, (2) all issuers of securities listed on a EU regulated market, and (3) the parent companies of multinational groups that generate a significant turnover on the EU's internal market. (link)

28 November: **EU Platform on Sustainable Finance publishes advisory report on "enabling activities" under the green Taxonomy.**

The Commission's advisory group has submitted to regulators a new report on a framework methodology for "enabling activities" – *i.e.* activities that may qualify as "sustainable" under Article 16 of the Taxonomy by virtue of enabling other activities to make a substantial contribution to the EU's environmental sustainability objectives. The report also proposes a series of new "technical screening criteria" covering certain additional manufacturing activities (such as pharmaceuticals and packaging), real estate, agriculture, forestry and transport. (link)

28 November: **Banque de France and ACPR release first joint Climate action report**

The report by the Banque de France and the Autorité de Contrôle Prudentiel et de Résolution presents the strategy of French regulators to manage the climate-related risks identified within the scope of their missions. The report also provides a description of identified metrics and targets that will be used to measure the impact of climate change. The aim is to publish climate action reports on a regular basis. (link)

30 November: **Commission proposes new voluntary certification rules for carbon removals.**

The Commission issued a proposal for a first EU-wide voluntary scheme for the third-party verification of high-quality carbon offsets. The draft regulation would establish four "QU.A.L.ITY" criteria: (1) accurate quantification of the emissions removed, (2) additionality, (3) long-term (distinguishing between temporary and permanent storage) and (4) contribution to one of the Taxonomy's sustainability objectives. The new system will lay out tailored certification methodologies for the different types of carbon removal activities. Once verified, certificates will be published in transparent registries so as to avoid double-counting. (link)

1 December: **AMF issued its report on governance and remuneration of the managers with a particular focus on ESG responsibility**

The AMF published its annual report on listed companies' governance and remuneration of the managers. The AMF highlighted specifically the consideration of social and environmental responsibility by board of directors and internal committees based on a sample of 50 listed companies (35 of which belong to the CAC 40 index). The AMF expects for instance from institutions the publication of individualized presentation of managers' ESG skills, the setting-up of clear definitions of required skills and more transparency on the extent to which these required skills are complied with. The AMF also notes that 82% of the sample of listed companies have set up a dedicated ESG committee and that non-financial criteria are more and more taken into account in the remuneration policies of the managers. (link)

Banking

30 November: **Commission approves EBA rules on ESG risk disclosures by banks.**

The Commission has approved new templates and standards for banks' ESG disclosures, following the proposal of the European Banking Authority of last January. The rules implement Article 449a of the CRR, which requires large credit institutions with EU-listed securities to disclose information on their ESG risks and impacts twice per year starting in 31 December 2022. The requirement may in the future be extended to all EU banks. The rules include tables to be used by banks for disclosing their physical and transition risk exposures, and the associated mitigating activities. (link - link).