

CLEARY GOTTLIB



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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.

General

13 November 2023 [UK] – UK Transition Plan Taskforce consults on sector-specific guidance for climate transition plans

The UK Transition Plan Taskforce (TPT) published a consultation on seven sector-specific deep-dive guidance documents covering among others asset managers, asset owners and banks to provide guidance to preparers and users of private sector climate transition plans. The consultation is open until December 29, 2023. This follows the TPT's publication of its final disclosure framework for transition plans and implementation guidance in October 2023. The final disclosure framework, which sets out the foundational disclosure recommendations that apply to all sectors and is designed to complement and build on the ISSB's final IFRS S1 and S2 standards, draws on the Glasgow Financial Alliance for Net Zero framework and guidance for credible, comprehensive and comparable net zero transition planning, and uses the same core components and structure. [[link](#) - [link](#) - [link](#)]

16 November 2023 [EU] – AFME releases a new report ‘Sustainable Finance in the EU: Priorities to unlock financing and investment’

The Association for Financial Markets in Europe (AFME) published a new report setting out its members' views and recommendations on the functioning of the current EU framework for sustainable finance and the implementation challenges faced by banks in applying such framework to financing companies. The report also provides recommendations for policymakers, including how they can work with regulators to further enable financial institutions to provide financing in support of climate, environmental and social goals. Specifically, five priority recommendations are identified to improve the functioning of the EU regulatory framework: (1) maintain focus on developing roadmaps, reducing regulatory barriers to the deployment of sustainable investment projects and incentivizing the transition of the real economy; (2) ensure that the regulatory framework achieves its goals, is coherent and usable in practice to promote and support sustainable finance; (3) provide a stable regulatory framework with time for implementation and review how it is working in practice, with targeted guidance/changes where needed; (4) ensure that regulation is promoting investment and does not adversely impact the competitiveness of financial institutions or companies operating in the EU and internationally; and (5) enhance international coordination and improve international interoperability with other key jurisdictions. [\[link\]](#)

20 November 2023 [France] – AMF issues second educational report on Taxonomy reporting by non-financial listed companies

This 2023 AMF report on sustainability reporting is dedicated to non-financial corporate's Taxonomy reporting, in the context of the second year of application of these obligations under Article 8 of the EU Taxonomy Regulation. The AMF analyses the publications of 31 listed non-financial companies which, for the first time, reported on the alignment of their economic activities with the taxonomy. This educational report provides an illustrated overview of reporting practices, as well as reminders and explanation of the Taxonomy reporting obligations. Overall, the AMF notes that (i) most companies have published the required indicators together with contextual information, although the explanations and figures published appear to be heterogeneous and difficult to compare between companies, (ii) the information provided on the nature of the eligible activities is generally satisfactory, but is needed to explain changes in the eligibility rate from one financial year to the next, and (iii) companies need to communicate more about the limitations and key methodological choices made in preparing their reporting. Specifically, with respect to Taxonomy-alignment reporting, the report highlights the following findings:

- Almost all companies have analysed their contribution to the climate change mitigation objective and have not given sufficient consideration to the climate change adaptation objective;
- Several companies have chosen not to disclose the extent to which some of their activities are aligned due to legal uncertainties;
- Few companies have identified sustainable investment plans, although this information is important for reporting on their transition efforts;
- Almost a third of the companies reported alternative indicators on a voluntary basis. [\[link\]](#)

Asset management

16 November 2023 [UK] – FCA finds further work required to fully embed ‘Guiding Principles’ for ESG and sustainable investment funds

The FCA published the results of its multi-firm review of how authorized fund managers (AFMs) are meeting existing regulatory requirements and expectations for the design, delivery and disclosure of ESG and sustainable investment funds. This review was a follow-up to the FCA's July 2021 letter to the chairs of AFMs, which set out guiding principles in this area. It focused on active and passive authorized retail funds whose names include a reference to ESG or sustainability-related terms. The FCA finds that AFMs have generally demonstrated a good intention to embed the guiding principles and have considered the design, delivery and disclosure of their ESG and sustainable funds accordingly. However, it notes that key information about ESG and sustainable investment funds was sometimes difficult to identify and that some disclosures did not include some key information that would allow investors to make fully informed choices. The FCA also notes that AFMs' governance arrangements for ESG and sustainable investment funds have generally evolved over time and adapted to maturing market practices and expectations, although AFMs face particular challenges in overseeing older funds. The FCA expects AFMs to (i) review their ESG and sustainable fund ranges and assess whether their disclosure material complies with the FCA's rules and guiding principles, and (ii) review their oversight and control frameworks to manage the risk of misleading or inaccurate information and to properly incorporate the guiding principles and the FCA's expectations. [[link](#) - [link](#)]



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