ESG round-up: Aussie investors call for transition plans guidance in line with ISSB

The latest developments in sustainable finance: Korea asks FSC to delay ESG disclosures; OMERS launches climate action plan; Californian climate bill passed by Assembly.

Fiona McNally - 12 September 2023

Share A⁻ A⁺ 100%

The Investor Group on Climate Change, PRI and CDP have written to the Australian government expressing concern over the current lack of standardisation in corporate transition plans. They argue that the absence of standards and regulatory guidance means climate transition plans are "incomplete or inadequate" for investor needs. The bodies have called for a clear framework, in line with the ISSB's IFRS S2 climate-related disclosures standard, but have also said the treasury should go further to support Australian entities to "produce credible transition plans" that contribute to and are consistent with the country's climate commitments and the goals of the Paris Agreement. This would include introducing best practice regulatory guidance and minimum requirements for transition plan disclosure in Australia.

The Federation of Korean Industries has asked the country's Financial Services Commission to delay the implementation of mandatory ESG disclosures by three to four years. The disclosures are scheduled to be enforced from 2025, but the federation said that "in a situation where the operational basis for the national-level disclosure system is not sufficiently established, early mandatory ESG disclosure will cause great confusion in domestic industrial sites and the capital market".

Ontario Municipal Employees' Retirement System has launched a climate action plan as part of its commitment to achieving net zero by 2050. It is targeting C$30 billion ($22.1 billion; €20.6 billion) in green investments by 2030, a 20 percent reduction in its portfolio emissions by 2025, and a 50 percent reduction in portfolio emissions by 2030. The Canadian fund has also committed to engaging with the top 20 portfolio companies with the highest emissions to develop "credible transition plans".

A bill on climate disclosure, SB 253, has passed the California Assembly. The bill received majority support following a 41-20 vote, having been passed by the full Senate earlier this year. The bill would require companies earning a minimum $1 billion per year and operating in California to disclose their Scopes 1, 2 and 3 emissions. It will now go to California governor Gavin Newsom, who will have until 14 October to ratify or veto the legislation.

The Institute for Energy Economics and Financial Analysis has said that the European Commission's latest proposal on ESG rating regulation "risks lessening the regulation's effectiveness" in addressing ESG rating activities' shortcomings and its suitability for meeting the European Green Deal objectives. It added that the proposal does not explicitly adhere to the principle of double materiality and "fails to show coherence with the EU sustainable finance framework".

The Grantham Research Institute and Climate Bonds Initiative have partnered to assess the needs for bond instruments for the Just Transition. The collaborative research will identify and promote the role of bond issuance to "drive a just and inclusive transition to net zero" across the globe. They plan to identify a range of options for supporting the Just Transition that can be trialled across different geographies, including UK, Central Europe, India, Indonesia and South Africa, as well as different issuer groups (sovereign, development banks, municipalities and corporates). The partnership plans to launch its findings at COP28.

Asset manager TOBAM has launched LBRTY, a civic and democratic rights equity strategy that seeks to mitigate the exposure to countries governed by autocratic regimes. The new strategy uses quantitative methodology to assess risks, in particular those associated with a lack of civil liberties and democratic rights, to build equity portfolios that substantially mitigate the exposure to autocratic regimes and the potential risks related to them for investors. LBRTY will exclude non-democratic countries based on factors including civil liberty, inclusiveness, rule of law and corruption, and build portfolios with low exposure to stocks with "significant economic ties" to non-democratic countries. The strategy is currently available in three Article 9 funds.

The UK has committed $2 billion to the Green Climate Fund (GCF), the biggest funding commitment the country has made to tackle climate change. The funding was announced at the G20 summit in India last week by prime minister Rishi Sunak. The GCF, which was established by 194 countries following the Copenhagen Accord at COP15, is the largest global fund dedicated to supporting developing countries to reduce global emissions and support communities to adapt to the effects of climate change.

Business for Nature, the World Business Council for Sustainable Development and the World Economic Forum have set out their priority actions for businesses across 12 sectors to contribute to a "nature-positive future". The sector actions are intended as a guide to change business practices and value chains and ensure businesses play their part in halting and reversing nature loss by 2030. The sectors include agri-food, chemicals, energy, fashion and apparel, financial services, forest products, waste management and water utilities.

First Sentier Investors has launched an investor guide to assessing and engaging on nature and biodiversity risks. The guide focuses on freshwater and forests and aims to bridge the gap between the Taskforce on Nature-related Financial Disclosures and the data currently available. The due diligence framework maps out three critical issues: identification of sector exposures and understanding of material nature pressure areas; prioritisation and assessments of companies; and company engagement.

The Glasgow Financial Alliance for Net Zero (GFANZ) has partnered with the African Development Bank to support climate action by financial institutions in the region. They will collaborate through the GFANZ Africa Network and the African Financial Alliance on Climate Change (AFAC) to support the acceleration of climate finance for low-carbon investments in the region. AFAC will convene working groups to improve climate data access, climate risk analysis and disclosures, climate target-setting, and capacity-building for transition planning and finance. Timothy Afful-Koomson, chief climate finance officer of the African Development Bank, will serve as director of the GFANZ Africa Network, and the GFANZ Africa board will also be represented on AFAC's steering committee.

Investors lack the urgency to achieve a Just Transition, according to a Fidelity International survey. The manager found that only 42 percent of investors are familiar with the concept of a "Just Transition", with awareness lower among investors in Asia (30 percent) than in Europe (47 percent). Only 35 percent of respondents have or are developing a dedicated investment strategy focused on the Just Transition, and just over half consider it as part of a wider approach to ESG.

The Global Reporting Initiative has signed a memorandum of understanding with the Department of Trade and Industry in the Philippines to train SMEs in sustainability best practices and report on their sustainability impacts. They plan to convene policy dialogues and roundtable discussions with small businesses on the topic of sustainability in areas such as supply chain management and sustainability procurement.