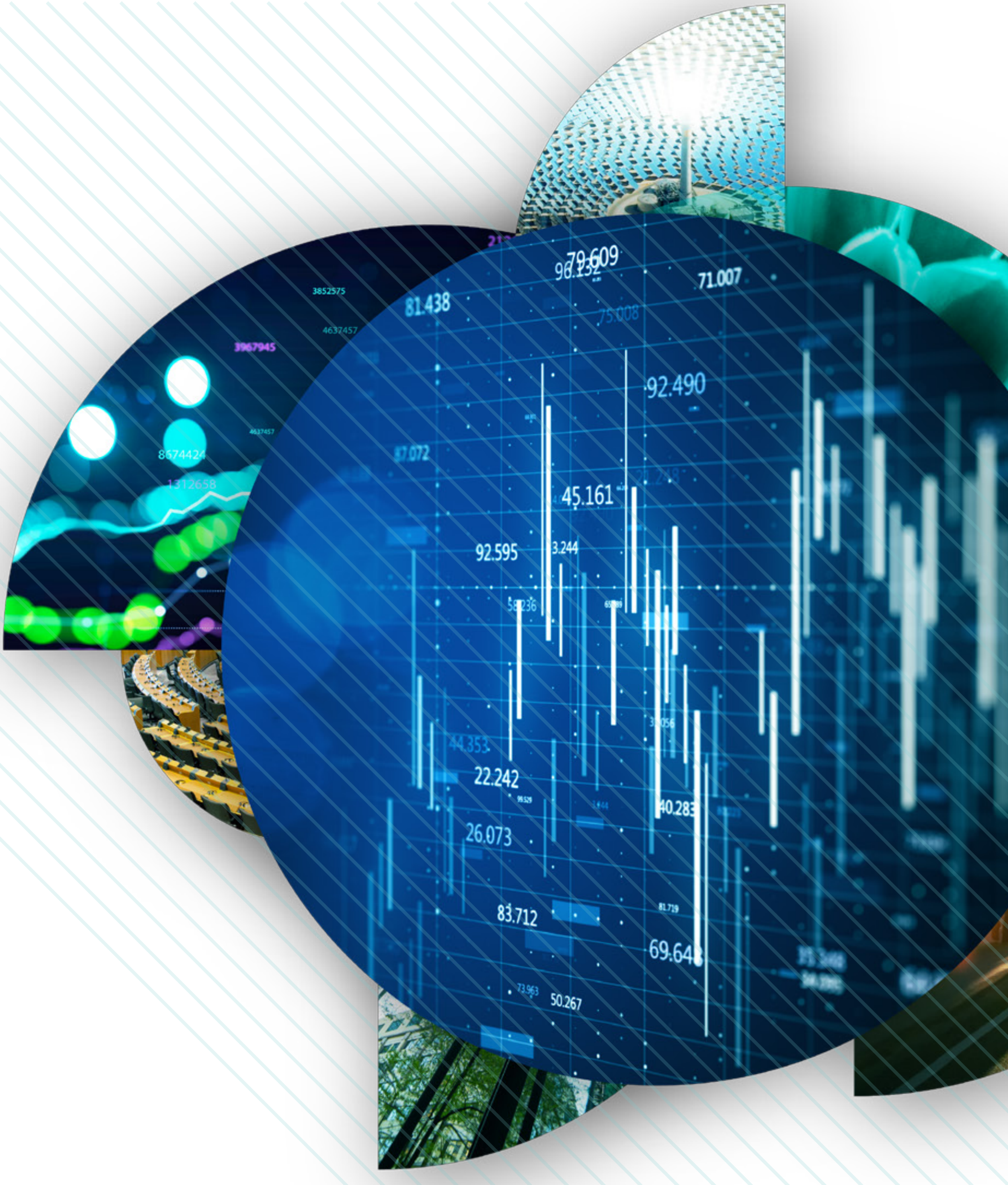
NORTON ROSE FULBRIGHT

ESG | Sustainability

# Financial Services regulatory ESG updater

6 October – 6 November 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 6 October 2024 to 6 November 2024, from the United Kingdom, France, Europe Union, the Netherlands United States, Australia, and certain international regulators.

# This month's highlights

### 28 October 2024 - The results of the FCA's culture and non-financial misconduct survey have been published: What do you need to know?

The FCA has published the results of its survey on non-financial misconduct. Set out below are (1) key findings; (2) next steps for the FCA; and (3) seven suggested action points for firms in light of the survey.

### Key findings

The key findings from the survey are that:

- Most frequent concerns: the number of allegations of non-financial misconduct reported increased between 2021 and 2023. In the 3 years covered by the survey, bullying and harassment (26%) and discrimination (23%) were the most recorded concerns.
- Outcomes: disciplinary or 'other' actions were taken in 43% of cases and some types of reported non-financial misconduct, such as violence, intimidation and sexual harassment, more often resulted in disciplinary actions compared to other types, such as discrimination. In addition, 62% of reported discrimination incidents and 47% of reported bullying and harassment incidents between 2021 and 2023 were not upheld. The FCA has suggested that the industry should reflect on these differing rates and whether they are explainable.
- Remuneration impact: action taken following non-financial misconduct rarely resulted in remuneration adjustment. When remuneration was adjusted it was mostly against unvested variable pay rather than other forms of remuneration adjustments such as fixed salary adjustment or clawback.
- Management information: 38% of respondents to the survey also stated that boards and board level committees did not receive management information about non-financial misconduct, and the FCA considers that the responses to questions about board MI and governance structures suggest that large firms' governance and oversight of non-financial misconduct could be falling short of the FCA's expectations.

### Next steps for the FCA

The FCA has confirmed that it will now:

- Engage with firms to understand their results and how they have used the data to reflect on their own culture, focusing on the firms that are outliers from their peer groups.
- Support trade associations to lead industry efforts to improve standards using the survey data.
- Continue to communicate with firms and set out its regulatory expectations through portfolio letters.
- Act where it considers that firms have failed to adhere to the FCA's rules and principles.

### Next steps for firms

Firms may wish to consider the following seven questions for the purpose of assessing next steps in light of the survey:

- Does your employee handbook or equivalent guidance adequately cover types of non-financial misconduct?
- The specific types included in the survey were sexual harassment, bullying and harassment, discrimination, possession or use of illegal drugs, violence or intimidation. However, 41% of incidents fell into the non-specific 'other' category. Firms should consider whether to feed any 'other' experience into their employee guidance.
- Is adequate support provided to internal-decision makers on conduct boundaries?
- Discrimination had the lowest proportion of upheld complaints with action taken which may reflect the fact that discrimination is sometimes harder to judge than other types of misconduct. Providing guidance to decision-makers may assist in achieving appropriate outcomes.
- Are you using settlement agreements and confidentiality agreements correctly?
- The report serves as a reminder that NDAs / confidentiality agreements should not be used to prevent individuals from whistleblowing to the FCA. Confidentiality agreements were most used for discrimination, bullying and harassment and the FCA is carrying out some follow up to understand the reasons for this.

- Do you have an appropriate level of reported incidents, an appropriate whistleblowing policy and a healthy speak up culture?
- The survey indicates a variety of detection methods including grievances and whistleblowing.
- It is helpful and a potential silver lining for firms with high levels of complaints that the FCA recognises that this may indicate a healthy speak-up culture. However, not all respondents had a whistleblowing policy and low levels of complaints may not reflect positively on the firm.
- Should you have a remuneration policy?
- It may be understandable that where remuneration was impacted, the use of retrospective clawback or salary adjustment was less common than making forward looking variations to bonuses or other pay which had not yet vested. However, the FCA has flagged that not all firms had remuneration policies and for some firms this may itself not be in keeping with its requirements.
- Does your board or a board level committee receive adequate management information about non-financial misconduct?

- Over a third of respondents stated that boards or a board level committee did not receive MI about non-financial misconduct and a third had no formal governance structure or committee to determine outcomes. The FCA suspects that governance and oversight at large firms could be falling short of expectations. The Board should also consider whether to adopt the new Code of Conduct for Directors structured around six key "Principles of Director Conduct" which was published by the IoD this week.
- Do you provide adequate references, keep them updated and take account of adverse references received?
- Although 92% of respondents said they would include non-financial misconduct in a regulatory reference, only 87% said they would update a reference following an incident. Firms should check they have an adequate process for providing and updating references. The FCA flags that it expects firm to consider their regulatory obligations with regards to hiring of employees with adverse references and ensure individuals remain fit and proper.
- The recently updated Regulatory Initiatives Grid confirmed that the FCA's policy statement on 'Tackling Non-Financial Misconduct in the Financial Sector' will be published "around year-end". Watch this space.

# United Kingdom

### 10 October 2024 - FCA publishes three new Climate Financial Risk Forum guides

The Financial Conduct Authority (**FCA**) updated its Climate Financial Risk Forum (CFRF) webpage to add links to three new guides on key areas of climate risk: Nature-related Risk: Handbook for Financial Institutions, Short-term Scenarios, and Mobilising Adaptation Finance to Build Resilience.

The handbook on nature-related risk aims to provide an introduction for financial institutions to help frame nature as a risk and discusses emerging practices in incorporating nature into financial risk management. In addition to the guidance itself, there are supporting documents in the form of Nature-related Risk: Technical Data Guidance for Financial Institutions and a Nature-related Risk: summary document.

The guide relating to short-term scenarios aims to discuss the various use cases of short-term scenarios for banks, asset managers and insurers to provide more guidance to firms. A Short-term Scenarios: summary document has been published alongside it.

The guide on mobilising adaptation finance to build resilience aims to provide guidance for the industry to assess physical risks they face and to facilitate increased levels of investment into climate adaptation to respond to those risks as an opportunity. Supporting documents published alongside it include a Mobilising Adaptation Finance to Build Resilience: summary document, an Adaptation user survey and Adaptation case studies.

### 21 October 2024 - Transition Finance Market Review findings and FCA response

A report setting out the findings of the Transition Finance Market Review (**TFMR**) was published. The report sets out recommendations on how to scale a high-integrity transition finance market that can support both UK and global net zero ambitions.

The TFMR was tasked with examining how the UK, as a global financial hub, can lead in developing norms and practices for transition finance that facilitate an economy-wide shift towards sustainability.

#### The TFMR's findings

The findings of the TFMR, set out in the report, outline a roadmap to establish the UK as a global transition finance hub, detailing the necessary steps for Government, regulators and the market. The terms of reference of the TFMR focused on scaling the UK as a global transition finance hub, so recommendations are primarily made at the national UK level, where more detailed proposals are sought. In some cases, where findings are seen to be relevant across jurisdictions, recommendations are also made at the international level.

The report organises the findings around three core pillars that it says are essential for scaling a robust transition finance market:

- Establishing clarity and credibility, including through confirming the scope and objectives of transition finance and creating a robust transition finance market from the top down.
- Scaling finance for transition activities, by making transition finance solutions commercially viable at deal level.
- Scaling finance for transition entities by moving towards transition strategy assessment being at the core of financing decisions, including general-purpose and passive investment.

For the market to be successful, the TFMR identified improved communication, capacity building, and governance as necessary crosscutting factors.

#### FCA's response

The FCA has welcomed the TFMR report and recommendations, noting that transition finance remains a priority for it and acknowledging the TFMR's call for communication on how the FCA views its role within its wider work and regulation.

The FCA notes that its objective is to support the market to scale with integrity, with the right standards and guardrails to help build trust, and that to ensure it can achieve this, it will:

- Consider the transition to net zero within its policymaking and supervisory functions, including how best to embed the TFMR's findings.
- Work with the Government on a new regime for ESG ratings providers to further support integrity in transition-related ratings.
- Build on the productive engagement the FCA has had with the TFMR, industry participants and international bodies to progress transition finance, including through the Climate Financial Risk Forum.
- Monitor market practices and raise standards, for example by consulting on strengthening its disclosure expectations, pending the Government's endorsement of the International Sustainability Standards Board standards.
- Support firms through more guidance and best practice, such as its review of the sustainability-linked loans market.

In addition, the FCA recognises concerns that have been raised to the TFMR around being accused of greenwashing when making claims about future decarbonisation. It flags that its guidance on the anti-greenwashing rule gives more information on its approach, including on transition-related claims.

Firms are encouraged to read the TFMR's recommendations and to engage with the FCA as it undertakes further work on this issue.

### 29 October 2024 - GFANZ consults on guidance to support net-zero transition and real-economy decarbonisation

The Glasgow Financial Alliance for Net Zero (**GFANZ**) launched consultations on Nature in Net-zero Transition Plans and on Index Guidance to Support Real-Economy Decarbonisation. It also published a report setting out Case Studies on Transition Finance and Decarbonisation Contribution Methodologies.

#### Consultation on Nature in Net-zero Transition Plans

This consultation considers how nature-related levers can support net-zero commitments by reducing greenhouse gas (**GHG**) emissions from land, ocean and freshwater sources, and by creating or increasing GHG sinks. It also sets out supplemental, voluntary guidance on how to incorporate nature-related levers as part of a strategic, credible net-zero transition plan (**NZTP**). The consultation paper is supplemental to the GFANZ NZTP framework published in 2022.

Financial institutions and other interested parties are encouraged to respond to this consultation here to inform the publication of final supplemental guidance, which is expected in Q1 2025, and to start to work with these concepts to accelerate the net-zero transition and drive financial resources toward solutions. The consultation closes on 27 January 2025.

#### Consultation on Index Guidance to Support Real-Economy Decarbonization

This consultation outlines potential guidance that index participants (i.e. index providers, data providers, stock exchanges, asset owners, asset managers and other investors) may take to voluntarily and independently develop and adopt indices that support real-economy decarbonisation.

GFANZ notes that the consultation paper and feedback received will inform the final paper, to be released in Q1 2025. It asks stakeholders to respond to the consultation here, by 9 January 2025.

#### Case Studies on Transition Finance and Decarbonisation Contribution Methodologies

The case studies report aims to illustrate how financial institutions have independently developed and implemented approaches that support GFANZ's four key transition financing strategies, and showcases results from the pilot of emergent decarbonisation contribution methodologies. The case studies provide perspectives of specific financial institutions, with the intention of sharing learnings which may benefit other financial institutions independently involved in transition finance.

### 31 October 2024 - TPT concludes its work

The Transition Plan Taskforce (**TPT**) will officially conclude its work to establish a gold standard for private sector transition plans.

### Final report

The TPT has released its final report, *Progress Achieved and the Path Ahead: The Final Report of the Transition Plan Taskforce*. This report identifies key opportunities and challenges for the global adoption of transition plans, including building market capabilities, sharing best practices, developing tools for decision-makers, and fostering global consistency in transition planning norms. The TPT's final report reveals that more companies than ever are disclosing their transition plans and aligning their business strategies with net-zero commitments. The TPT's work is part of a larger movement towards integrating transition planning into the heart of financial and policy decision-making processes.

### IFRS

The TPT's technical work culminated in June 2024 with a significant endorsement from the International Financial Reporting Standards (**IFRS**) Foundation, which has assumed responsibility for the disclosure-specific materials developed by the TPT.

### Looking ahead

The report identifies four key areas for future collective efforts:

- Building market capabilities, practice and sharing experiences. In particular, it is critical that firms continue to learn from one another. A survey of UK corporates found that engaging with peers in industry and third parties is viewed as the most effective way to overcome challenges in transition planning.
- Developing enabling tools and driving thought leadership. For example, while there is important thought leadership examining how the adaptation and resilience performance of transition plans could be assessed, such assessments are not yet available at scale.
- Ensuring that transition plans are integrated into decision-making. This includes that as market adoption of transition plans grows, more attention will need to be paid to establishing an information feedback loop between private sector transition planning and policymaking.
- Increasing global consistency in transition planning norms and expectations. In order to realise the multiple benefits of private sector transition plans the market will need globally consistent norms which address the needs and challenges of transitioning entities within all jurisdictions, including emerging markets and developing economies.

### 6 November 2024 – FCA publishes speech on sustainable investment and finance

The FCA published a speech delivered by its chief operating officer, Emily Sheppard, at the UK Sustainable Investment and Finance Association Leadership Summit in London, entitled 'All aboard: strong infrastructure for smooth journeys.'

The speech highlights that:

- The FCA's objectives aim to underpin the growth of the economy and encourage investment required for UK and financial services to achieve net zero by 2050.
- The FCA plans to continue to engage with industry, balancing proportionate regulations more broadly while recognising and avoiding unnecessary regulatory pressures and costs on businesses.
- The expansion of the FCA to Leeds and Edinburgh is intended to enable it to attract new talent and better reflect the demographic of firms nationwide.

Ms Sheppard discusses topics including:

- Recent regulatory changes introduced by the FCA to encourage sustainable investment, including the Sustainability Disclosure Requirements and investment labels regime, and the anti-greenwashing rule guidance.
- The FCA's involvement in wider initiatives such as the Government's recently published Transition Finance Market Review and its Transition Plan Taskforce.
- The Government's plans for the FCA to regulate ESG ratings providers.
- The FCA's intention to consult on strengthening expectations for listed companies' transition plan disclosures, with the aim of giving investors transparency on a business' future alignment with net-zero goals.
- The recent Call for Input on the FCA's review of its rules following the introduction of the Consumer Duty – Ms Sheppard notes that the FCA is current reviewing 172 responses to the Call for Input and plans to feed back next year, with the aim of addressing areas of duplication, confusion or over-prescription which create unnecessary costs for business while at the same time demonstrating that it is possible to pursue market growth through sustained consumer benefit.

# European Union

### 8 October 2024 - ESMA issues annual report on EU carbon markets

The European Securities and Markets Authority (**ESMA**) issued its first EU carbon markets report.

The report provides details and insights into the functioning of the EU Emissions Trading System (**EU ETS**) market.

It has four key sections covering prices and volatility, auctions, secondary markets trading and derivatives market positions.

#### Key findings

Key findings in the report include:

- Prices in the EU ETS have declined since the beginning of 2023.
- Emission allowance auctions remain significantly concentrated, with 10 participants buying 90% of auctioned volumes.
- The vast majority of emission allowance trading in secondary markets takes place through derivatives.

#### Policy recommendations

The report does not identify major new policy issues.

It does, however, note that in the context of the Markets in Financial Instruments Regulation (**MiFIR**) review, ESMA will consult on the revision of regulatory technical standard (**RTS**) 22 for improving the reporting of transaction data. The report notes that the identification of transaction chains remains problematic, and trading strategies were subject to price adjustments to perform more accurate analysis. The consultation will therefore also seek advice from the industry as to whether there is the need to further clarify the reporting of strategies and transaction chains. Following this revision, ESMA invites the European Commission (**Commission**) to duly consider transaction chains when adopting the revised RTS 22, given the implication it will have also for carbon markets.

#### Next steps

The report will be produced annually as per ESMA's mandate.

ESMA will host a webinar to present the main findings of the report on 24 October, 10:00 – 10:45 CET. Registration for the webinar is here.

### 14 October 2024 - ESMA updates implementation timeline on sustainable finance

ESMA published an updated version of its implementation timeline on sustainable finance.

The implementation timeline covers:

- Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (**SFDR**).
- Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (Taxonomy Regulation)
- Corporate Sustainability Reporting Directive ((EU) 2022/2464) (CSRD).
- Regulation (EU) 2016/1011 on indices used as benchmarks in financial instruments and financial contracts or to measure the performance of investment funds (Benchmarks Regulation).
- Regulation (EU) 2023/2631 on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (European Green Bonds Regulation).

The updated timeline has a question mark against a Commission review of the SFDR in mid-2025.

### 30 October 2024 - ESAs joint report on PAI disclosures under the SFDR

The European Supervisory Authorities (**ESAs**) issued a joint report that assesses both entity and product-level Principal Adverse Impact (**PAI**) disclosures under the SFDR.

The report follows a survey from Member State competent authorities (**NCAs**) on the current state of entity-level and product level voluntary PAI disclosures under the SFDR. As with previous years, the survey covered the assessment of the disclosures by financial market participants choosing to explain why they did not consider adverse impacts of investment decisions on sustainability factors, as well as disclosures of PAI consideration for financial products.

### Findings

The ESAs have found that there is overall positive progress on several elements compared to previous years, in particular on the location of the disclosures, which are becoming more and more accessible to retail investors, and on the level and quality of the information disclosed. Significant improvements were identified in product PAI disclosures, although the share of products disclosing SFDR PAI information remains quite low.

The ESAs have also identified several good and bad practices that have been included in section 3 of the report.

The ESAs note that the survey encouraged NCAs to engage with financial market participants who were not compliant, or only partially compliant, with the rules. The outcome of the exercise helped NCAs set out their risk-based approach on the supervision of SFDR-related disclosures.

Section 3 of the report includes a list of good and bad practices identified by NCAs and an overview of lessons learned from the third year of implementation of the voluntary disclosure.

### Next steps

The Commission may consider the ESAs' findings and take them into account in the context of their comprehensive assessment on the functioning of the SFDR.

The ESAs reiterate the need to reduce the frequency of their assessment of the PAI disclosures under the SFDR to every two or three years. The ESAs believe these reports are valuable, but a less frequent reporting timeline would allow the ESAs and NCAs to focus more resources on delivering a more meaningful analysis of the PAI disclosures and to draw lessons from previous exercises.

## France

There have been no reported updates from France this month.

## The Netherlands

### 28 October 2024 - AFM explorative study into ESG data risk management

The Dutch Authority for the Financial Markets (*Autoriteit Financiële Markten*, the **AFM**) published the results of an explorative study (in the form of a report) into how asset managers deal with the availability, reliability and comparability of ESG data. The study report includes key insights that can aid asset managers in developing processes, systems, and internal controls for effective risk management concerning the use of ESG data.

The AFM oversees investment firms and managers of alternative investment funds and UCITS, ensuring compliance with rules for sound business operations and adherence to European laws on integrating sustainability risks into business processes and risk management. Asset managers need ESG data to identify sustainability risks, assess adverse impacts of investment decisions, and uphold the "do no significant harm" principle. They can obtain this data from issuers, develop it in-house, or buy it from third-party providers. However, challenges with data availability, reliability, and comparability mean these needs are not fully met, especially in the short term. Reliable, independent ESG data is essential for effectively managing sustainability risks in business and investment practices. To address this, the AFM conducted an exploratory study, gaining insights into how ESG data is managed and verified for accuracy and completeness.

The AFM's main observations were:

- Asset managers have established the governance structure with regard to the management of ESG data risks in different ways.
- Many asset managers use one or more third-party data providers for the majority of their ESG data needs.
- Using an unambiguous definition of data risk supports asset managers in identifying and managing this risk.
- All asset managers have both proactive and reactive policies and control processes to ensure the quality of ESG data.

### 28 October 2024 - DNB urges pension funds to address ESG Risks

The Dutch Central Bank (De Nederlandsche Bank, **DNB**) published their findings from its sector-wide self-assessment on ESG risk integration among pension funds. The report reveals that while many pension funds have taken steps to incorporate ESG risk into their policies, there is still a substantial portion that lacks adequate insight into these risks.

DNB launched this self-assessment to examine the level of ESG risk integration within various core processes like strategy, governance, risk management, and reporting. Using DNB's *Guide to Managing Climate and Environmental Risks* as a framework, the self-assessment aimed to benchmark the industry against regulatory standards and gain insights into pension funds' preparedness c.q. willingness to address ESG risks.

The key findings from the self-assessment included:

- Despite recent efforts, 37% of pension funds have not started assessing ESG risks, falling short of the Pension Fund (Financial Assessment Framework) Decree Article 18 requirements. Additionally, 42% of funds with significant fossil sector exposure lack climate transition risk analyses.
- Although ESG principles are embedded in most funds' strategies, only a minority have established measurable key performance indicators for ESG objectives. Most oversight is at board level, but only 17% of funds integrate ESG across all governance levels.
- Pension funds differ in their chosen ESG metrics, including carbon footprints, and biodiversity measures. A more standardized approach would enhance risk monitoring and mitigation.

High-risk pension funds will receive in-depth tailored feedback, given by DNB, to implement. Furthermore, all funds are expected to conduct an ESG risk assessment by mid-2025. DNB's update *Guide to Managing Climate and Environmental Risks*, set for release mid-2024, will offer practice tools and best practices to support ESG integration for all pension funds.

## United States- SEC and CFTC

### 21 October 2024 - WisdomTree pays $4 million over SEC 'greenwashing' charges

New York-based advisor, WisdomTree Asset Management has agreed to pay $4 million to the Securities and Exchange Commission (**SEC**) to settle charges that it misleadingly marketed three funds as having an ESG investment strategy.

From March 2020 until November 2022, WisdomTree said that three exchange-traded funds did not invest in fossil fuel and tobacco companies, however, the SEC found that the funds did in fact invest in companies that were involved in coal mining and transportation, natural gas extraction and distribution, as well as the sale of tobacco products.

WisomTree agreed to a cease-and-desist order and censure, and to pay a $4 million civil penalty, without admitting or denying SEC findings.

# Australia

### 28 October 2024 - ACCR's greenwashing proceedings against Santos commence in the Federal Court

The hearing of the Australasian Centre for Corporate Responsibility's (**ACCR**) greenwashing claims against Santos Ltd (Australia's second largest listed oil and gas company) commenced in the Federal Court of Australia. The hearing is anticipated to run until 15 November.

In 2021, the ACCR, a shareholder activist group, commenced proceedings against Santos Ltd alleging that the company engaged in misleading or deceptive conduct by making representations to investors that:

- It had a clear and credible pathway to reduce its greenhouse gas emissions and reach net zero emissions by 2040.
- It is a producer of "clean energy" and that natural gas is a "clean fuel".
- That its blue hydrogen projects would be emissions-free.

It is alleged by ACCR that Santos, in fact, planned to increase its greenhouse gas emissions through expected oil and gas growth and exploration opportunities beyond 2050. ACCR have also alleged that Santos' representations that natural gas and blue hydrogen are "clean" are misleading as the extraction and production of both do generate emissions.

The ACCR claim that the proceedings are the first in the world to challenge the veracity of a company's net zero emissions target.

### 30 October 2024 - Australian sustainable finance taxonomy consultation in final round

The Australian Sustainable Finance Institute (**ASFI**) opened the second round of public consultation on its Australian sustainable finance taxonomy (**Taxonomy**).

The Taxonomy is being developed in partnership with the Australian Government and aims to provide credible and transparent definitions for sustainable investments in the Australian economy. This will allow companies, investors and the wider community to make credible and consistent assessments of whether their economic activity is climate aligned, to support the transition to net zero by 2050.

This round of consultation, which runs until 1 December 2024, seeks feedback on:

- The climate change mitigation criteria for its six priority sectors for development.
- A Do No Significant Harm framework.
- Minimum social safeguards.
- Ways in which the taxonomy can be used.

The six priority sectors under development are:

- Electricity generation and supply.
- Minerals, mining and metals.
- Construction and the built environment.
- Manufacturing and industry.
- Transport.
- Agriculture and land.

The first round of public consultation took place in May 2024, which sought feedback on the draft headline ambitions for the Australian taxonomy's environmental objectives and the draft climate change mitigation criteria for the first three priority sectors.

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

## 30 October 2024 - TNFD publishes draft guidance on nature transition planning at COP16

The Taskforce on Nature-related Financial Disclosures (**TNFD**) issued a discussion paper which sets out draft guidance on nature transition planning for corporates and financial institutions developing and disclosing a transition plan in line with the TNFD recommended disclosures.

### Focus areas

The draft guidance covers all aspects of nature apart from climate change and greenhouse gas emissions as drivers of nature loss, and natural carbon stocks.

Transition planning for these topics is covered in guidance from organisations such as the GFANZ, including their complementary voluntary draft guidance for financial institutions on nature in net zero plans, which is currently out for consultation. The TNFD discussion paper does, however, include considerations of synergies and trade-offs across sustainability objectives, including social objectives. Organisations should ideally move towards integrated planning over time.

Key focus areas in the draft guidance include:

- A definition of a nature transition plan.
- An overview of related initiatives.
- Guidance on what a nature transition plan should include.
- Guidance on how a plan should be presented and disclosed.
- Areas of further work needed to support development and assessment of nature transition plans.

### Next steps

The deadline for comments on the discussion paper is 1 February 2025.

The TNFD encourages businesses and financial institutions to pilot test the draft guidance set out in the discussion paper.

Based on the feedback received through the consultation, and insights gained through potential pilot testing, the final guidance will be published in 2025.

# 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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