



International Trends Towards Responsible Investment and their Impact on Corporate Australia Non-Financial Disclosure in the US and EU

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The EU Green Deal

- The EU Green Deal
- The Taxonomy Regulation
- The Sustainable Finance Disclosure Regulation
- MiFID2 - ESG Suitability Delegated Act
- Non-Financial Reporting Directive
- BSI/ISO
- EU Ecolabel
- Benchmarks
- EU carbon reduction benchmarks
- World benchmark alliance

The EU Green Deal

- Communication of the EU Commission 11 December 2019 (COM(2019) 640 final)
- “Becoming the world’s first climate-neutral continent by 2050”
- No net emissions of GHG in 2050
- Economic growth to be decoupled from resource consumption
- A ‘just transition’
- Green oath to “do no harm”
- Part of the EC’s plan to implement the UN’s 2030 SDGs

Pressures for the Green Plan

- EU is signatory to the Paris Accord
- Implementation of the UN's SDGs
- Climate change counterweight to the US
- New agenda and focus for the EU post 2019 elections
- Change in the EU's finances and political complexion post Brexit
- Embedded in the Treaty For the EU (TFEU)

TFEU – Overarching Principles

Article 3

- EU's aim is to promote the well-being of its peoples (amongst other things)
- EU will work for the sustainable development of Europe
- Based on balanced economic growth
- Promote solidarity between generations
- In its relations with the rest of the world, it shall contribute to the sustainable development of the Earth...the protection of human rights...the strict observance and development of international law

Integration Provision

- Require the objectives of the integration provisions are taken into account in all the EU's policies and activities

TFEU – Integration Provisions

- Article 7 – consistency
- Article 8 – gender equality
- Article 9 – employment, social inclusion, education and health
- Article 10 – non-discrimination
- Article 11 – environmental protection
- Article 12 – animal welfare and recognition of animals as sentient beings

TFEU – Article 11

- Environmental protection requirements must be integrated into the definition and implementation of the EU's policies and activities, in particular with a view to promoting sustainable development

The Green Deal – Agenda

- March 2020 – legislation to embed 2050 neutrality objective into EU law
- Q2 2020 – plan to increase GHG reduction target to at least 50% (against 1990 levels)
- Mid 2021 – climate related policy instruments to be reviewed and revisions proposed
- Changes to the EU ETS
 - Extension to new sectors
 - Regulation of land and land use
 - Carbon border adjustment mechanism
 - Availability of data to allow climate change to form part of risk management

The Green Deal – Industrial Strategy

- EU Industrial Strategy to include green and digital transformation
- Digital transformation to help deliver the Green Deal
- Strategic security of access to resources for the Green Deal
- A Farm to Fork system that is fair, healthy and environmentally friendly
- Decarbonisation of chemical, steel and cement sectors
- Circular economy action plan for textiles, construction, plastics and electronics
- Right to repair to be considered

The Green Deal – Energy

- EU power sector to be based on renewables
- Phasing out of coal
- Decarbonising gas
- Smart energy infrastructure
- Energy poverty to be tackled

The Green Deal – Investment & Finance

- Current 2030 GHG targets need € 260 billion of additional investment each year
- Green Deal Investment Plan
 - *Mobilise* more than € 1 trillion of sustainable investments by 2030
- Just Transition Mechanism
 - No one left behind/ Green Oath
 - € 100 billion during 2012-2027 to regions affected by Green Deal to alleviate socio-economic impact of Green Deal

EU Disclosure – EU Taxonomy

- The Technical Expert Group of Sustainable Finance (TEG)
- Published the Technical Report on Taxonomy in 2019
- To become the Taxonomy Regulation
- Climate change and adaptation from 2021
- Environmental Objectives from 2022
- Review in 2021 to include Social Taxonomy

Non Financial Reporting Directive

- Non Financial Reporting Directive (2014/95/EU) (NFRD)
- Public interest companies with over 500 employees
- Listed companies, banks, and insurance companies
- Required to report non-financial information including their policies relating to -
 - Environmental protection
 - Social responsibility
 - Treatment of employees
 - Respect for human rights
 - Anti-corruption and bribery
 - Diversity on company boards

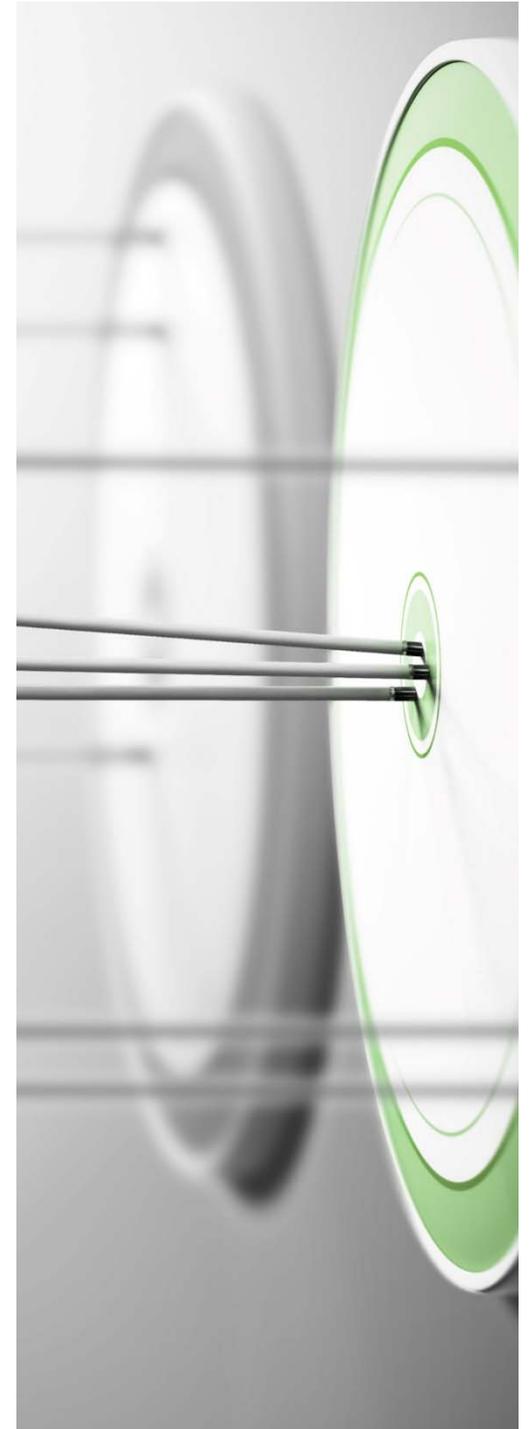
Sustainable Finance Disclosure Regulation

- EU Disclosure Regulation EU/2019/2088 (SFDR)
- EU asset managers and investment funds must disclose sustainable investments and sustainability risks in portfolios
- Additional requirements apply to some ESG-focused funds -
 - ESG-labelled investment funds
 - Sustainable investment funds
 - Carbon reduction investment funds

Other Requirements

- MiFID2 & Insurance Distribution Directive (IDD)
- Amended by an ESG Suitability Delegated Act
- Q2 2020

Disclosure in the US



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