ESG Digest #18

December 2023

Contents:

In December Digest we present the news, which we think, are the most important in ESG agenda

COP28: General information

The 28th Conference of the Parties (COP) of the United Nations Convention on Climate Change (UNFCCC) - COP28 - took place from 30 November - 12 December 2023 in Dubai, UAE. Nearly 100,000 politicians, diplomats, journalists and campaigners registered for the conference, making it the biggest climate conference ever held.

COP28 key topics:

- A target for an energy system free of unabated fossil fuels by 2050
- Tripling the renewable energy capacity by 2030
- Doubling the energy efficiency by 2030
- Near zero methane emissions from oil and gas by 2030

New topics that were themes of the COP agenda this year included health or relief, trade, recovery and peace.

COP28 Action Plan:

The COP28 Presidency has set out an action plan for 2023 conference, encouraging governments and key climate stakeholders to take action in four key areas:

- Fast track the energy transition
- Fix the climate finance
- Focus on nature, people, lives, and livelihoods
- Full inclusivity

COP28: Key Negotiations outcomes

The COP28 draft Agreement and other announcements are listed below:

Fossil Fuels: Expands on COP26/27 (only reference coal phase-down) to call on Parties to transition away from fossil fuels in energy systems, in a just, orderly and equitable manner.

Energy Systems: Calls on Parties to contribute to: “Tripling renewable energy capacity globally and doubling the global average annual rate of energy efficiency improvements by 2030”.

Loss & Damage: Countries agreed to how the Loss & Damage fund would be operationalized (~$700 million committed at COP28).

Finance:

- Notes with regret that the $100 bn goal was not met in 2021 and urges developed countries to fully deliver on the goal each year before 2025.
- Underscores the importance of reforming the multilateral financial architecture, inter alia, multilateral development banks.
- Recognizes that adaptation finance will have to be significantly scaled up beyond the doubling.

Global Goal on Adaptation: Parties agreed on targets for the Global Goal on Adaptation (GGA) and its framework.

Nature: Countries committed to strengthen their efforts to work collaboratively and expeditiously to pursue the Global Biodiversity Framework goals and, for the first time, reversing deforestation for mitigation

Food & Agriculture: Endorsement of the Declaration on sustainable agriculture, resilient food systems, and climate action.

Article 6 (Carbon Markets): Lack of consensus meant Parties failed to adopt texts relating to Article 6.2 and Article 6.4.

COP28: Declarations & Pledges

The COP28 declarations and pledges are listed below:

Cooling: >60 countries signed the Global Cooling Pledge, agreeing to cut their cooling-related emissions by at least 68% from 2022 to 2050.

Finance: UAE Presidency, BlackRock, Brookfield Asset Management and TPG launched the $30bn Alterra fund which aims to crowd in private investment of up to $250bn by 2030 ($5bn for incentivising investment into developing economies).

Food & Ag: Call to Action for Transforming Food Systems for People, Nature and Climate signed by more than 200 non-state actors to commit to 10 priority actions to transform food systems.

Food & Ag: COP28 UAE Declaration on Sustainable Agriculture, Resilient Food Systems and Climate Action signed by >150 nations to commit to include emissions from food & agriculture in their NDCs by COP30.

Gender: Launch of the Gender-Responsive Just Transitions & Climate Action Partnership (endorsed by 60+ nations).

Health: >120 countries endorsed the COP28 UAE Declaration on Climate and Health which underscores the urgent need to confront the connections between climate change and health.

Hydrogen: 27 countries signed the UAE Hydrogen Declaration of Intent endorsing a global hydrogen certification standard.

Industry: Industrial Transition Accelerator launched to catalyse decarbonisation across heavy-emitting sectors; hosted by the Mission Possible Partnership.

Nuclear: 22 countries pledged to collectively triple their nuclear energy capacity by 2050 from 2023 levels.

Oil & Gas: >50 O&G companies (40% of global production) signed the Oil and Gas Decarbonisation Charter, committing to ending gas flaring by 2030, zero-out methane emissions, and align with net-zero by 2050 (Scope 1 and 2 only).

Global news

PRI updates Responsible Investment Reporting Framework for investors

Principles for Responsible Investment (PRI) released a revised Reporting Framework 2023 that sets out reporting processes for the organization’s investor and asset owner signatories.

Changes include improvements in clarity, with updated terminology and minimized ambiguity in questions, as well as improvements in consistency and applicability, and restructuring of some sections for better alignment with other sustainability reporting frameworks such as TCFN, TNFD and ISSB. The framework also incorporates changes to reflect emerging themes across the responsible investment landscape, including the introduction of new voluntary indicators focused on human rights.

The 2023 release is a key step forward in the development of the PRI’s Reporting and Assessment functionality as the industry-leading reporting framework, globally. The reporting cycle will begin again in May 2023.

Read more

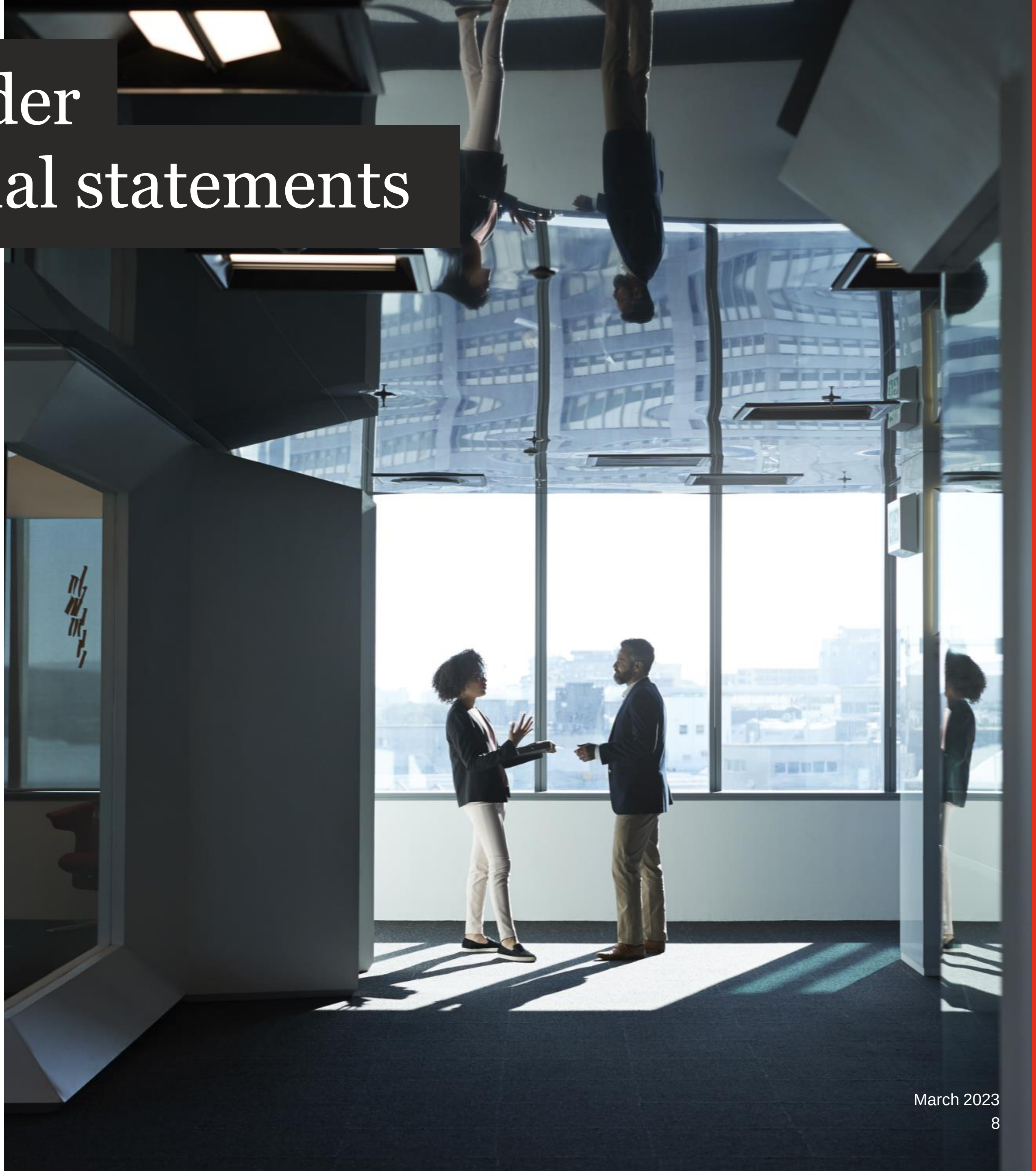
IASB initiates project to consider climate-related risks in financial statements

The International Accounting Standards Board (IASB), the accounting standards-setting body of the IFRS Foundation, has launched a new project aimed at exploring potential changes to the requirements by companies to disclose climate-related risks in financial statements.

While the current standards don't refer explicitly to climate-related matters, companies are required to consider climate-related issues in their financial statements if the effects of those matters are material to investors. Even though, climate-related risks are often perceived as remote and may not be appropriately considered in financial statements, investors need better information about the effect of climate-related risks on the carrying amounts of assets and liabilities.

The project will not be seeking to develop an IASB Standard on climate-related risks, but rather that its potential outcomes would be narrow in scope, such as minor amendments to the standards or new application guidance.

Read more



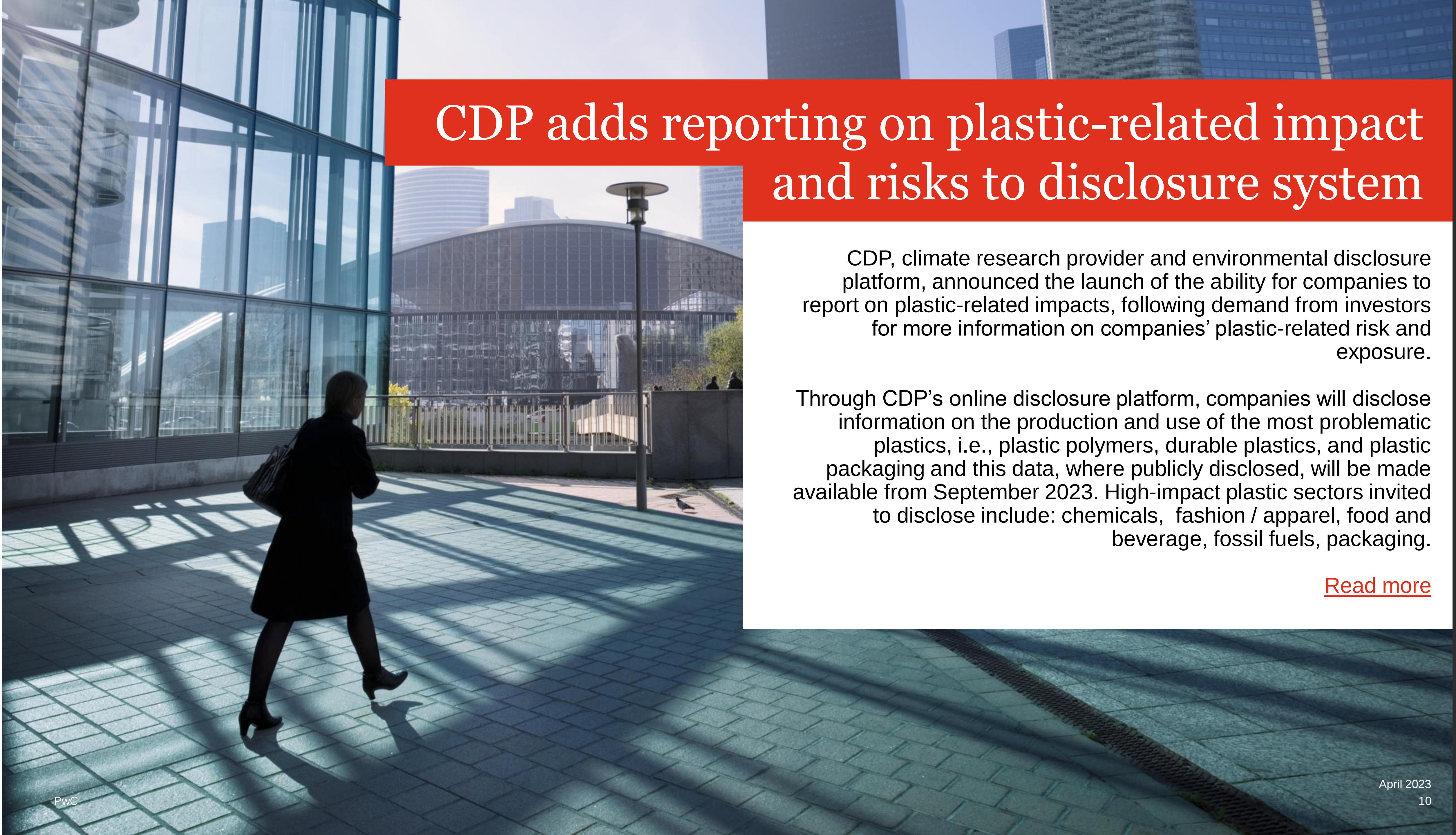
Taskforces merge to create social risks disclosure framework

The Taskforce on Inequality-related Financial Disclosures (TIFD) and Taskforce on Social-related Financial Disclosures (TSFD) are joining forces to design a framework for financial disclosures for social and inequality-related risks, similar to those established for climate and nature-related risks.

The new taskforce will use third-party research and collaborate with existing initiatives as well as with "the people most impacted by inequality". An early priority will be to develop an inclusive governance structure that includes a balance of these stakeholder representatives.

Further information about the combined taskforce, including propositions regarding its governance, processes, and substantive work, will be shared for public consultation.

Read more



CDP adds reporting on plastic-related impact and risks to disclosure system

CDP, climate research provider and environmental disclosure platform, announced the launch of the ability for companies to report on plastic-related impacts, following demand from investors for more information on companies’ plastic-related risk and exposure.

Through CDP’s online disclosure platform, companies will disclose information on the production and use of the most problematic plastics, i.e., plastic polymers, durable plastics, and plastic packaging and this data, where publicly disclosed, will be made available from September 2023. High-impact plastic sectors invited to disclose include: chemicals, fashion / apparel, food and beverage, fossil fuels, packaging.

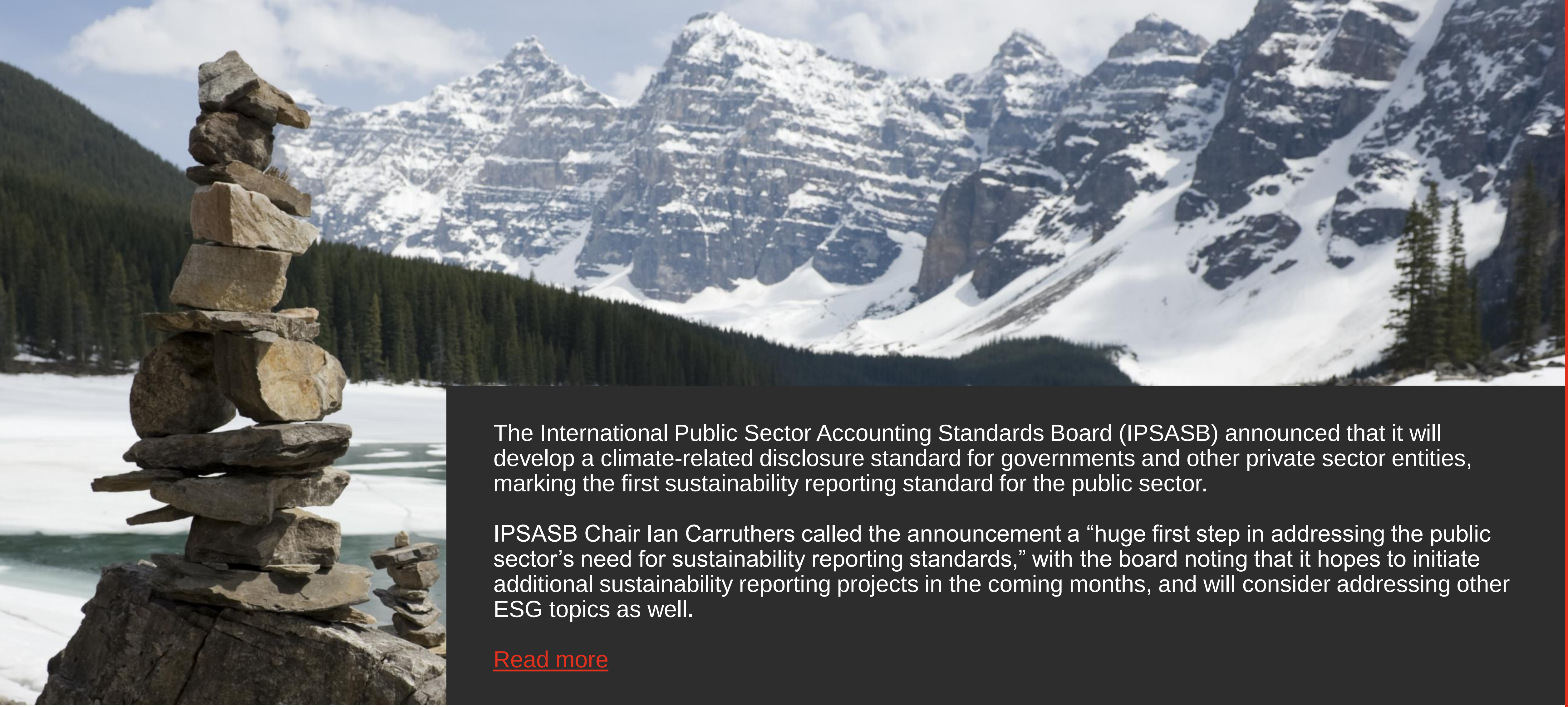
Read more

Climate Action 100+ shifts focus to implementation of climate transition plans for major emitters

Climate-focused investor engagement network Climate Action 100+ (CA100+) announced the launch of its “Phase Two”.

Phase Two will see CA100+ shift focus from corporate climate disclosure towards the implementation of climate transition plans. Accordingly, the initiative has updated its core goals to more clearly emphasize implementation, for example adding to its request for companies to “implement a strong governance framework on climate change” that the framework “clearly articulates the board’s accountability and oversight of climate change risk,” and now asking companies not only to “provide enhanced climate disclosures,” but now to also implement robust transition plans to deliver on targets.

Read more



The International Public Sector Accounting Standards Board (IPSASB) announced that it will develop a climate-related disclosure standard for governments and other private sector entities, marking the first sustainability reporting standard for the public sector.

IPSASB Chair Ian Carruthers called the announcement a “huge first step in addressing the public sector’s need for sustainability reporting standards,” with the board noting that it hopes to initiate additional sustainability reporting projects in the coming months, and will consider addressing other ESG topics as well.

Read more

IPSASB launches development of Climate-Related Reporting Standard for public sector

IFRS to take over responsibilities of the TCFD

The IFRS Foundation's International Sustainability Standards Board (ISSB) will take over responsibility for monitoring progress of companies' climate-related disclosures from the Financial Stability Board's (FSB) Task Force on Climate-related Financial Disclosures (TCFD) as of next year, following a request from the FSB.

The TCFD recommendations were published in June 2017, and have until now effectively been serving as the industry standard for climate-related disclosure. The TCFD recommendations were also broadly incorporated into the requirements of the ISSB's climate related disclosure standard. Thus, the publication of the new ISSB standards can be seen as a culmination of the work of the TCFD.

Read more

IFRS releases Global Sustainability and Climate Reporting Standards, both to take effect in 2024

The IFRS Foundation’s International Sustainability Standards Board (ISSB) announced the official launch of its new global sustainability and climate disclosure standards, expected to form the basis for emerging sustainability reporting requirements by regulators around the world.

IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information requires companies to disclose information about sustainability-related risks and opportunities that would be useful to primary users of general purpose financial reports, including those that “could reasonably be expected to affect the entity’s cash flows, its access to finance or cost of capital over the short, medium or long term.”

IFRS S2 Climate-related Disclosures sets out climate-related metrics regarding reporting of Scopes 1, 2 and 3 greenhouse gas (GHG) emissions – although the ISSB recently announced that it will allow companies an extra year to report on Scope 3

The new standards will begin applying for annual reporting periods beginning as of January 2024, with companies beginning to issue disclosures against the standards in 2025.

Read more

IAASB launches Sustainability Reporting Assurance Standard

Auditing, quality control, and assurance standard-setting body the International Auditing and Assurance Standards Board (IAASB) announced the launch of International Standard on Sustainability Assurance (ISSA) 5000.

Our proposed standard is a crucial step in enhancing confidence and trust in sustainability reporting. This proposal directly responds to the IOSCO recommendations and complements the work of other standard setters, including the International Ethics Standards Board for Accountants. Corporate reporting, whether financial or sustainability focused, is more trusted when it receives external and independent assurance based upon globally accepted standards independently developed in the public interest.”

Once finalized, ISSA 5000 will serve as a comprehensive, stand-alone standard suitable for limited and reasonable sustainability assurance engagements

Read more

TNFD calls for open source nature data

The Taskforce on Nature-related Financial Disclosures (TNFD) has recommended creating a global nature-related public data facility.

TNFD claimed the facility would meet the growing demand for nature-related data it found in its study to evaluate the case for such a data facility.

Nature-related data is crucial in addressing the global challenge of accelerating nature loss, helping organizations overcome nature-related risks, delivering sustainable development and facilitating the flow of capital to nature positive outcomes.

Read more

GRI and EFRAG achieved a high level of interoperability between their respective standards

The Global Reporting Initiative (GRI) and the European Financial Reporting Advisory Group (EFRAG) have announced that definitions, concepts, and disclosures are closely aligned.

Thus their reporting standards can be used in tandem, eliminating the need for double reporting by companies. This alignment is in accordance with the Corporate Sustainability Reporting Directive (CSRD), which calls for new reporting standards to consider existing ones and adopt a double materiality approach. The convergence is expected to lead to more streamlined reporting and clearer regulations for both companies and investors.

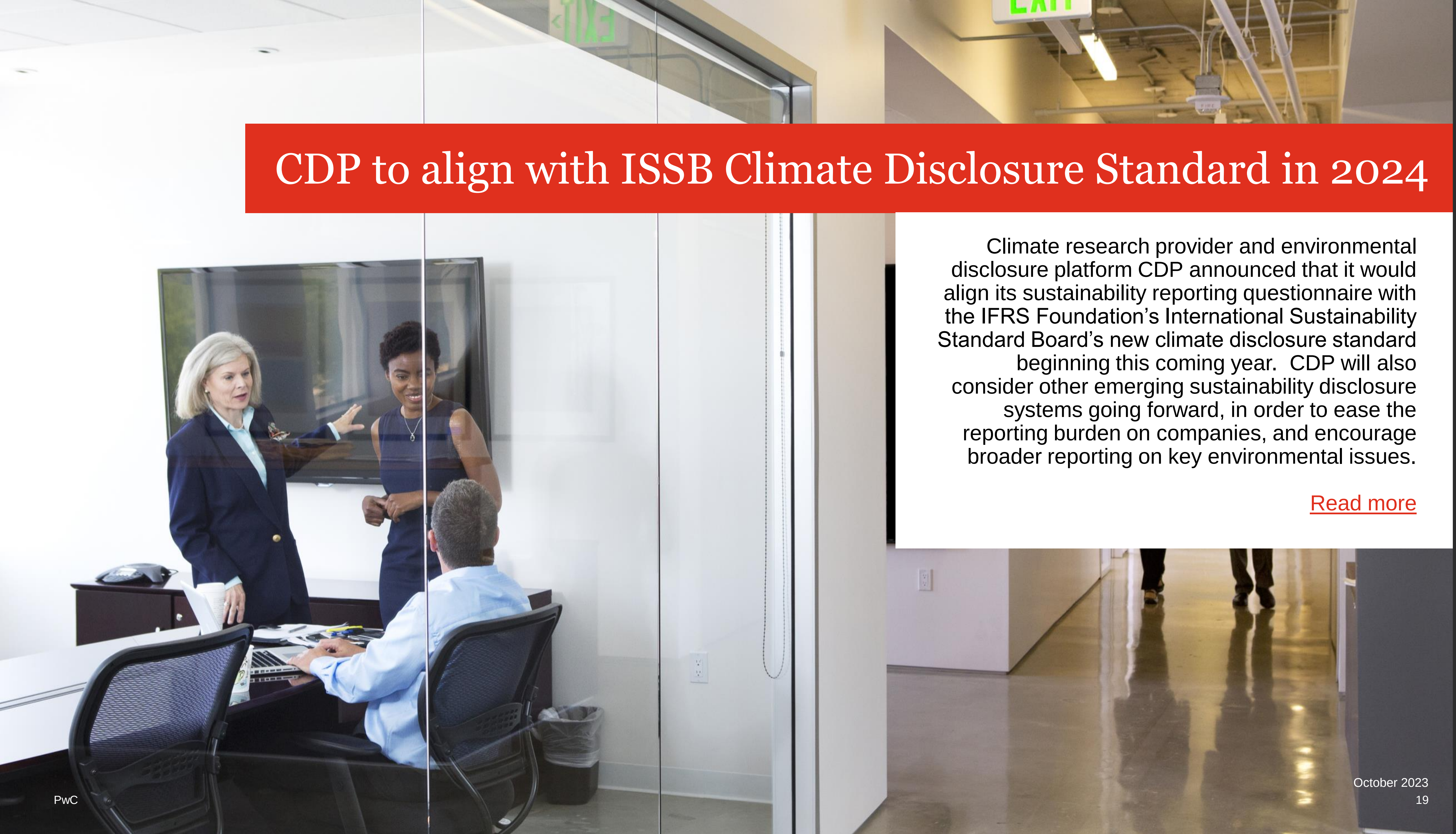
Read more

TNFD releases framework for reporting on nature-related risks and opportunities

The Taskforce on Nature-related Financial Disclosures (TNFD) has released its final recommendations for managing and disclosing nature-related risks.

The framework aims to guide companies and capital providers in making informed decisions regarding nature and biodiversity-related factors. The publication includes 14 recommended disclosures under four pillars: Governance, Strategy, Risk and impact management, and Metrics and targets. Additionally, the TNFD has provided indicators, metrics, and guidance to support organizations in implementing these recommendations. The TNFD's guidelines are expected to influence future sustainability disclosure standards.

Read more



CDP to align with ISSB Climate Disclosure Standard in 2024

Climate research provider and environmental disclosure platform CDP announced that it would align its sustainability reporting questionnaire with the IFRS Foundation's International Sustainability Standard Board's new climate disclosure standard beginning this coming year. CDP will also consider other emerging sustainability disclosure systems going forward, in order to ease the reporting burden on companies, and encourage broader reporting on key environmental issues.

Read more

CFA Institute, PRI, GSIA issue harmonized definitions for sustainable investing

CFA Institute, the Global Sustainable Investment Alliance (GSIA), and Principles for Responsible Investment (PRI) have issued a new guidelines that aims to bring greater understanding and consistency to terminology used in responsible investment and to reduce greenwashing risk. Specifically, the guideless provides the following definitions:

- Screening
- ESG integration
- Thematic investing
- Stewardship
- Impact investing

For each term, CFA Institute, GSIA, and PRI have outlined a definition, detailed explanation, and guidance for using the terms in practice. The paper is intended for investors, regulators, policymakers, and other market participants.

Read more

CFA Institute launches new Climate Risk, Valuation, and Investing Certificate

CFA Institute, the global association of investment professionals, announces the launch of a new Climate Risk, Valuation, and Investing Certificate. Registrations for the new certificate are scheduled to open on 30 November.

Investment firms seeking to adapt to the risks associated with climate change increasingly require staff with specific climate analysis skills, and this new certificate meets that market demand.

The certificate aims to provide financial professionals with climate-related investment expertise, and to integrate climate considerations into valuation and portfolio construction processes.

Read more

GRI, IFRS announce initiative to help companies build sustainability reporting capacity

The Global Reporting Initiative (GRI) announced today plans to launch a new Sustainability Innovation Lab (SIL), alongside the IFRS Foundation as its Convening Partner, a new initiative aimed at helping to enable companies to meet evolving sustainability disclosure requirements.

According to GRI CEO Eelco van der Enden, the new initiative comes as companies face a “sustainability capacity and expertise gap” amid increasing requirements to report on their sustainability performance across the value chain.

Read more

GRI releases proposed Climate and Energy Transition Disclosure Standards

The Global Reporting Initiative (GRI), one of the leading organizations promoting standardized ESG reporting, announced today the publication today of new draft Climate Change and Energy Standards.

The proposed Climate Change Standard will enable organizations to disclose climate change transition along with adaption plans and actions, detail annual progress on emissions reduction targets and company's use of carbon credits and GHG removals.

Meanwhile, the exposure draft for a revised Energy Standard has a sharp focus on the ways in which organizations are reducing energy consumption, achieving energy efficiency and sourcing renewable energy – all of which are essential to combat climate change and ensure companies tangibly demonstrate how they are decreasing their carbon footprint.

Read more

PwC Research

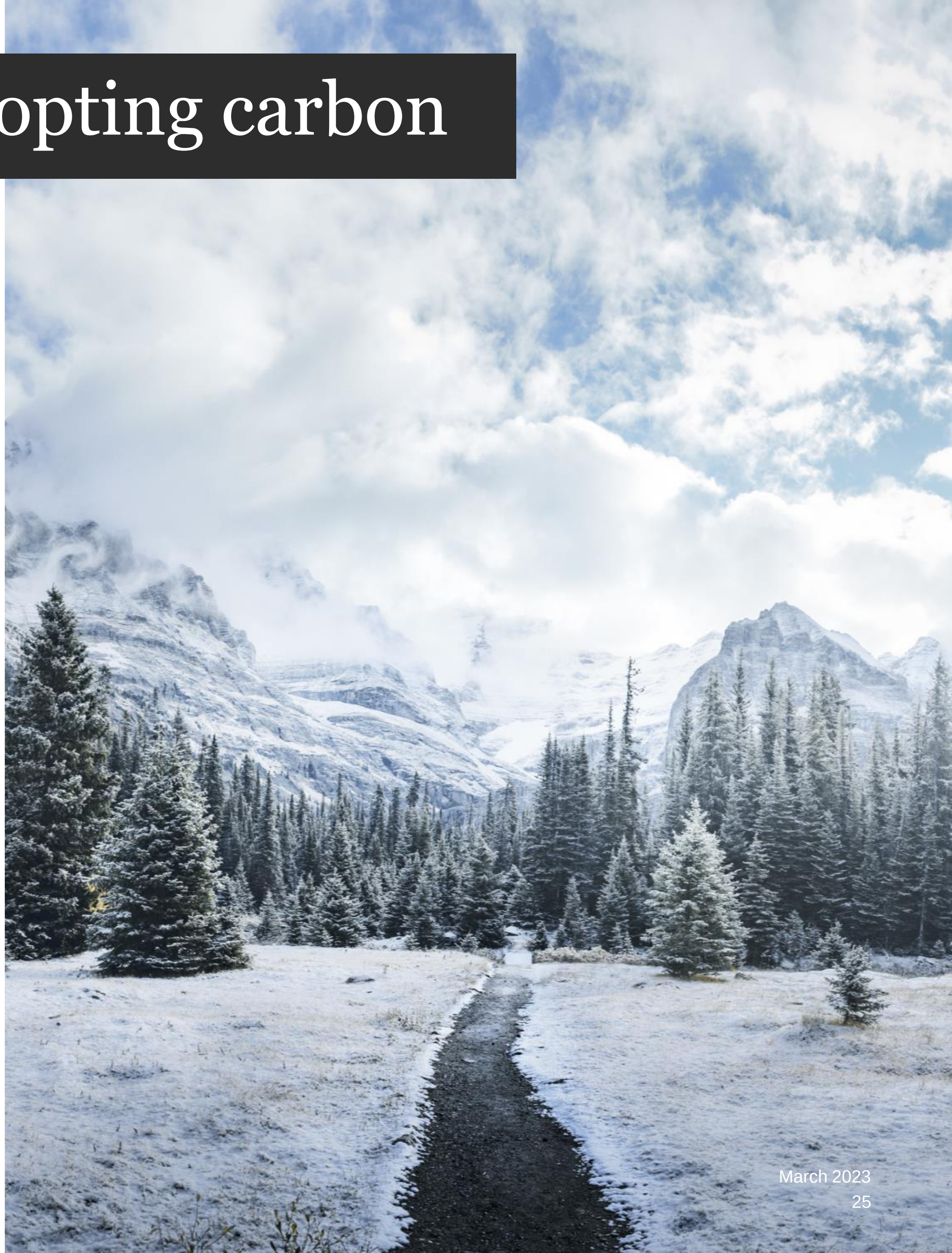
Nearly four out of five companies adopting carbon targets in executive pay

With ESG metrics increasingly being linked to executive pay, it’s still unclear how well it works. Meanwhile climate has become an area of ESG with the strongest investor consensus. This report is focused on carbon targets in pay at Stoxx Europe 50 index, a group of the continent’s most valuable companies.

Analysis shows that the vast majority (78%) of companies have now adopted some measure of carbon target in executive pay, with payouts in carbon targets disclosed in 2022 averaging at 86%, and over half paying out at 100%. The report also shows that the bigger carbon emitters are more likely to put carbon measures in executive pay, and are therefore more likely to score well against investor expectations.

The levels of maturity in carbon reduction strategies are similar in companies engaged in Climate Action 100+ (CA100+) initiative and those which are not engaged, with 68% using SBTi approved carbon reduction plans. The report also highlights that 80% of CA 100+ initiative companies that have an explicit carbon measure in pay have a broad statement linking this carbon measure to their long-term company plan (vs 72% of non-CA100+ companies). By contrast, only 10% of CA100+ companies provide a more comprehensive link (e.g. supported by numbers) versus 11% of non-CA100+ companies.

Read more



98% of companies may not wait for SEC Climate Disclosure Rules to begin reporting

89% of business executives say their companies have already been reporting some ESG data now

70% of business leaders report their companies will "proceed with compliance" regardless of when the rule becomes U.S. law

96% of executives say they will proceed with independent assurance, whether it's required in the final rule or not

In March 2022, the U.S. Securities and Exchange Commission proposed sweeping changes for how U.S. companies disclose data and risks related to climate change. To get a sense of how businesses are thinking about—and preparing for—the final rule, Workiva and PwC commissioned a survey of 300 executives at U.S.-based public companies with at least $500 million in annual revenue.

The study reveals that business executives plan to proactively comply with the SEC's proposed climate disclosure rule and desire independent assurance as they do.

In the meantime, results shows that 39% of companies are not yet fully prepared to meet the new disclosure requirements and at least 7-in-10 business would prefer at least two more years to comply.
Business leaders also highlight three key challenges regarding compliance with the proposed SEC rule on climate disclosure: technology, resourcing, and budget.

Read more

Global efforts to decarbonize need 12 times faster to deliver Paris Agreement

The PwC Net Zero Economy Index, reveals a significant shortfall in global decarbonization efforts to meet the 1.5°C target of the Paris Agreement.

The PwC Net Zero Economy Index emphasizes the need for a 17.2% yearly decarbonization rate, up from the previous estimate of 15.2%, to meet the 1.5°C target of the Paris Agreement. Progress needs to be seven times faster than the previous year and twelve times greater than the average rate over the past two decades.

No G20 country has achieved the necessary level of decarbonization since 2000. The report also highlights a record growth in solar (24.4%) and wind (13.1%) energy in 2022, primarily in China, the US, and Europe, but calls for this progress to be replicated globally. The UNFCC warns that even if fully implemented, current climate commitments would lead to a 2.5°C temperature increase by 2100, well above the Paris Agreement's target.

Read more

Climate tech investment falls in by 40%, but hits record share of VC and PE funding

Venture capital and private equity investment in climate technology ventures has declined by 40% in 2023, but continued to outperform the broader market, which continues to be impacted by economic and geopolitical turmoil, according to a new PwC State of Climate Tech report.

For the report, PwC used its Climate Tech Investment Index as its underlying dataset, and analyzed more than 8,000 climate tech startups, and over 32,000 deals worth more than $490 billion over the past 10 years, in addition to asking investors about market trends.

The report reveals that investors are increasingly putting capital into technologies with higher potential to reduce emissions, with a shift towards technologies such as green hydrogen and carbon capture, usage and storage. The share of investment into the industrial sector, which accounts for more emissions than any other sector of the economy (34%), has almost doubled to 14% between Q4 2022 and Q3 2023.

Read more

94% of investors say corporate sustainability reporting contains unsupported claims

Sustainability continues to remain pivotal to investors: 75% say that how a company manages sustainability related risks and opportunities is an important factor in their investment decisions, according to PwC's 2023 Global Investor Survey.

The survey revealed that the focus of investors on meeting the cost of ESG commitments has also risen, with 76% finding this information important or very important. Investors also want information on a company's impact on society or the environment, and of those, 75% agree that companies should disclose the monetary value of their impact on the environment or society, up from 66% in 2022.

The report highlights an investors' strong undercurrent of doubt around the reliability of sustainability reporting and information that they use, often referred to as "greenwashing". 94% of investors believe corporate reporting on sustainability performance contains some level of unsupported claims (up from 87% in 2022), including 15% who think they are there to a "very large extent". The proportion who said unsupported claims are present to a moderate or greater extent is up one percentage point on last year at 79%.

PwC surveyed 345 investors and analysts across 30 countries and territories, with 65% of respondents at organizations with total AUM of more than $1 billion.

Read more

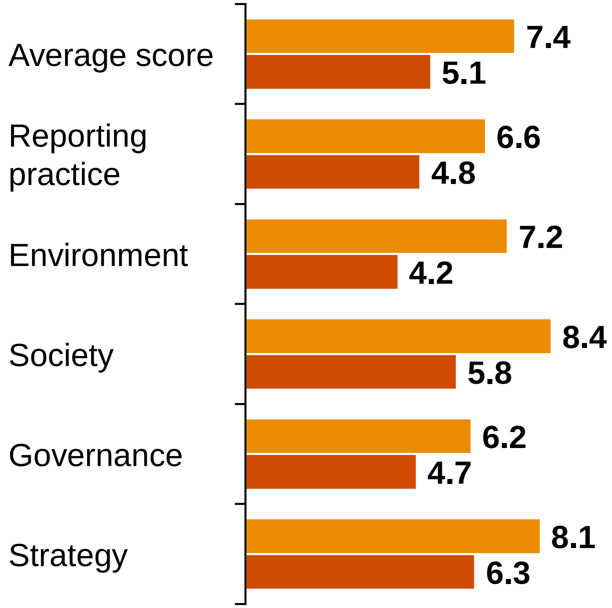
TOP 50 ESG disclosure companies in Kazakhstan in 2022

The fourth edition of the TOP 50 ESG disclosure companies in Kazakhstan in 2022 covered the annual and sustainability reports of 96 Kazakhstani companies. The study assessed the completeness, quality and availability of ESG information.

This year, assessment requirements have been significantly tightened. Greater emphasis was placed on governance and strategy, also industry indicators were added. Despite the tightened criteria, the analysis showed that Kazakhstan's non-financial reporting as a whole is catching up with international trends, and a significant number of companies withstand even the increased assessment criteria.

Last year, the average TOP-50 score was 5.5 out of 10. This year, even with the more stringent criteria, the average score was 5.1. The average score for the TOP-10 did not change at all and remained at 7.4, demonstrating improved quality of reporting.

Average score per information block, 2022



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TOP-10 in 2022

№	Company	Rating
1	NC KazMunaiGas	A
2	NAC Kazatomprom	B+
3	QazaqGas	B+
4	Samruk-Energy	B+
5	Karachaganak Petroleum Operating B.V.	B+
6	Kazakhtelecom	B+
7	NC Kazakhstan Temir Zholy	B
8	AK Altynalmas	B
9	KEGOC	B
10	KazTransOil	B

ESG in Kazakhstan

Kazakhstan approves Carbon Neutrality Strategy

The medium-term goal of the Strategy is to reduce greenhouse gas (GHG) emissions by 2030 by

15%

Subject to the international support, the GHG emissions could be reduced further by

25%

The President of Kazakhstan by his decree approved the Strategy for achieving carbon neutrality of the country by 2060.

The medium-term goal of the Strategy (in accordance with the nationally determined contribution) is to reduce greenhouse gas (GHG) emissions by 15% by 2030, on a 1990 basis. Subject to the international support, the GHG emissions could be reduced further by 10%.

The development of RES will be the key for successful decarbonization. The wind, given its quality and availability in the country, is expected to become the main resource in the earlier stages, while solar energy will become a key technology at a later stage, when the cost of investment in solar power plants will noticeably decrease.

Read more

Research: 88% of enterprises in Kazakhstan are not familiar with ESG

87.7% of Kazakhstani companies are not familiar with the ESG principles, according to a survey conducted by the Bureau of National Statistics of the Agency for Strategic Planning and Reforms of the Republic of Kazakhstan.

The largest share of enterprises which are familiar with ESG principles was recorded in Zhetysu (25.5%), Ulytau (23.1%), Pavlodar (21.7%), Atyrau (21.1%) and West Kazakhstan (18.5%) regions. The worst indicators are shown by the North Kazakhstan, Turkestan and Almaty regions.

The analysis shows that 72% of enterprises do not adhere to environmental criteria for sustainable development, 69% do not adhere to corporate governance criteria. At the same time, only 29% of companies do not comply with the social criteria of sustainable development, while 71% take this ESG parameter quite serious.

Read more

Kazakhstan to require ESG reporting for financial institutions

Financial institutions in Kazakhstan will be required to submit ESG reports starting from January 1, 2025, as announced by the Deputy Chairman of the Agency of the Republic of Kazakhstan for Regulation and Development of the Financial Market Maria Khadzhieva at the Digital Bridge forum, which was held on October 13, 2023.

Currently, 79 companies out of 150 that are listed on the Kazakhstan Stock Exchange are submitting their ESG reports.

In April 2023, the Agency developed guidelines on ESG reporting, which are based on international practice. The guidance includes reporting on financial organizations' impact on the environment, social sphere, economy, as well as an assessment of ESG impact on financial performance of organizations.

In addition, the Kazakhstan Stock Exchange also promotes ESG principles. The KASE has developed and implemented a methodology for ESG reporting preparation for listed companies, which has been included in the requirements for preparation of annual reports. In addition, KASE has developed an infrastructure for listing and placement of "green", social and other bonds issued to finance sustainable development projects.

Read more

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