

For What It's Earth

Global ESG Headlines from Step toe

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Regulation

On December 6, the European Parliament and the Council of the EU announced that a provisional deal has been reached on a proposal to “minimize the risk of deforestation and forest degradation associated with products that are imported into or exported from the European Union.” The agreement sets out mandatory due diligence rules for companies that want to place relevant products on the EU market, and proposes penalties for non-compliance including fines “proportionate to the environmental damage and the value of the relevant commodities or products concerned”. It is expected that the Regulation will be in force in the course of 2024.



Standards

The U.S. Federal Reserve Board (Fed) has released a series of proposed principles for how large banks with over \$100 billion in assets should monitor and manage climate-related financial risks. The Fed's plan would require banks to incorporate financial risks related to climate into their strategic planning. The proposal brings the Fed in line with the Federal Deposit Insurance Corporation (FDIC) and Office of the Comptroller of the Currency (OCC), which have proposed their own plans. Public comments on the proposed plans will be accepted through January 2023.



Regulation & Standards

The European Parliament and the Council of the EU have announced that a provisional deal has been reached on the EU's Carbon Border Adjustment Mechanism (CBAM). The CBAM aims to ensure that “EU and global climate efforts are not undermined by production being relocated from the EU to countries with less ambitious policies.” It will apply to iron and steel, cement, aluminum, fertilizers and electricity, hydrogen, indirect emissions under certain conditions, certain precursors as well as to some downstream products such as screws and bolts. The provisional agreement is still dependent on an agreement on the reform of the EU's Emissions Trading System. It is expected that the CBAM will begin to operate as from October 2023.



Standards

This month the Principles for Responsible Investment (PRI) announced that over 220 investment firms representing \$30 trillion in assets have signed up to a PRI stewardship initiative focused on human rights. Companies across two sectors, mining and metals, and renewables, are engaged in the first stage of the initiative. Among the commitments of those involved includes an agreement to “develop their own human rights policy and human rights due diligence process, to be ready within one year of joining the initiative, if they don't have one already.”



Statement

On December 5, the Global Reporting Initiative (GRI), a leading independent standards organization promoting standardized ESG reporting, announced the publication of its new Biodiversity Standard, aimed at enabling companies to publicly disclose its “most significant impacts on biodiversity and how it manages them.”

“I encourage all stakeholders and interested parties to participate in this consultation, because we need a standard that will be the global focal point for accountability on biodiversity impacts. Improved reporting – across sectors, regions and supply chains – is crucial for addressing information gaps and informing global solutions.”

Judy Kuszewski, Chair of the Global Sustainability Standards Board (GSSB), December 5, 2022