SULLIVAN & CROMWELL LLP

ESG Monthly Newsletter

September 2022

This memorandum highlights key recent developments in environmental, social and governance matters of relevance to public and private companies globally. For more information on this evolving business and legal landscape, we encourage you to reach out to your regular Sullivan & Cromwell contact or the lawyers listed on our **ESG practice website**.

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Key Developments

US Congress Enacts Climate Investment Measures. The U.S. Inflation Reduction Act was signed into law by President Biden on August 16th. The $430 billion bill is intended to put the U.S. on a path to reduce greenhouse gas emissions by 40% below 2005 levels by 2030 through tax credits and other budgetary appropriations that are aimed at incentivizing production of and investments in renewable energy and other emission reduction projects and technologies. More information is available in our memo and in S&C's Critical Insights forthcoming podcast series.

Increase in ESP Shareholder Proposals Continues. Our analysis of shareholder proposals during the 2022 proxy season shows that US companies in the S&P Composite 1500 faced more proposals on environmental, social and political ("ESP") issues this year than ever before, with the proposals being more granular and prescriptive than in prior years. No-action relief significantly decreased in respect of ESP proposals and will likely further decrease if the Securities and Exchange Commission ("SEC") adopts its recent proposal to narrow the bases for excluding shareholder proposals under Rule 14a-8. With the decline in no-action relief, more ESP proposals went to a vote this year but received lower average shareholder support. These and other trends from the 2022 proxy season are discussed in our 10th annual Proxy Season Review Memo. S&C's two-part Proxy Season Review memo and information related to our upcoming webinar are available here.

EU Nears Adoption of Expansive, Extraterritorial Sustainability Reporting Requirements. Both EU and non-EU companies will soon be required to provide more detailed, attested corporate environmental, social and governance ("ESG") reporting under the EU's new Corporate Sustainability Reporting Directive ("CSRD"), on which EU leaders reached provisional political agreement in late June. The scope of reporting required under the CSRD covers environmental, social and human rights and governance factors and vastly exceeds the breadth and depth of reporting that would be required under proposed SEC and current UK rules related to climate disclosure. More information is available in our memo and in our forthcoming podcast.

UK Regulators Step Up Scrutiny of ESG-Labelled Bonds, ESG Ratings and ESG-Related Marketing Claims. In June, the UK Financial Conduct Authority ("FCA") reminded issuers of ESG-labelled debt that their separately published frameworks for ESG bonds must be consistent with their bond prospectus. The FCA also stated that it sees a clear rationale for regulating providers of ESG data and rating services, should the UK Government grant it powers to do so. More information is available in our memo and in S&C's Critical Insights podcast series. In July, the UK Competition and Markets Authority announced that it is investigating three fast fashion brands due to concerns that their eco-friendly claims are misleading consumers.

Legislative/ Regulatory Updates

1. *United States*

U.S. Enacts Inflation Reduction Act, Which Provides For Climate Change-Related Tax Credits and Expenditures. On August 16, President Biden signed into law the Inflation Reduction Act ("IRA"). Under the IRA, more than $300 billion is to be invested in energy and climate reform, with $60 billion dedicated to renewable energy infrastructure in manufacturing like solar panels and wind turbines. Preliminary analysis by Rhodium reveals that the IRA would reduce U.S. greenhouse gas emissions by 31% to 44% from 2005 levels by 2030, mostly due to new tax credits for clean energy producers. More information is available in our memo and in S&C's Critical Insights forthcoming podcast series.

SEC Seeks Comments on its Five-Year Strategic Plan. On August 24, the SEC released a draft strategic plan for fiscal years 2022 to 2026 inviting public comment. The 16-page plan is focused around three main goals that the SEC believes will help advance its mission: (1) protecting working families against fraud, manipulation and misconduct; (2) developing and implementing a robust regulatory framework that keeps pace with evolving markets, business models and technologies; and (3) supporting a skilled workforce that is diverse, equitable, inclusive and fully equipped to advance agency objectives. The deadline for comments on the plan is September 29. More information on the SEC's proposals are available in S&C's memo on the proposed cybersecurity disclosure rules and S&C's webinar and summary discussing the proposed climate disclosure rules.

U.S. Federal Trade Commission to Update Green Guides. On August 5, the Federal Trade Commission ("FTC") announced as part of its 10-year review that the FTC planned to review and solicit comment on its "Green Guides". The FTC's Green Guides are a set of principles issued to help marketers ensure that the claims they make are true and substantiated, and they include general principles that apply to all environmental marketing claims as well as guidelines about how consumers are likely to interpret particular claims, how marketers can substantiate these claims and how marketers can qualify claims to avoid deceiving consumers. The Green Guides were first issued in 1992 and most recently revised in 2012. The 2012 update revised the guidance to caution marketers against unqualified claims that a product is "eco-friendly" or "environmentally friendly," and added new sections of guidance on: (1) certifications and seals of approval: (2) carbon offsets: (3) free-of claims: (4) non-toxic claims: (5) made with renewable energy claims: and (6) made with renewable materials claims. The Green Guides are not legally binding, but several states incorporate the Green Guides into state law.

SEC Adopts Pay Versus Performance Disclosure Rules. On August 25, the SEC adopted rules to require registrants to disclose information regarding the relationship between executive compensation paid by a registrant and that registrant's financial performance. The adopted rules, which apply to all reporting companies other than foreign private issuers, registered investments companies and emerging growth companies, implement a requirement originally mandated under the Dodd-Frank Act. The rules add new Item 402(v) of Regulation S-K, which requires registrants to provide a table disclosing executive compensation and financial performance measures for a registrant's five most recently completed fiscal years. The table must include: (1) the Summary Compensation Table total compensation: (2) "compensation actually paid:" (3) the total shareholder return for the registrant and its peer group: (4) the registrant's net income: and (5) a financial performance measure selected by the registrant. The Summary Compensation Table total compensation and "compensation actually paid" measures must be shown for the PEO and, on average, the other NEOs. Item 402(v) also requires a clear description of the relationship between each financial performance measure in the new table and the compensation actually paid, and a list of three to seven financial performance measures that the registrant determines are its most important measures. The new disclosure will be required in proxy statements and information statements in which executive compensation disclosure is required beginning for fiscal years ending on or after December 16, 2022. More information is available in S&C's memo here.

SEC Proposes to Significantly Narrow Bases for Excluding Shareholder Proposals Under Rule 14a-8. On July 13, the SEC voted 3 to 2 to propose amendments to three of the 13 substantive bases for excluding shareholder proposals provided for in Rule 14a-8 under the Securities Exchange Act of 1934 (the "Exchange Act"). Specifically, the proposed amendments would revise the substantial implementation, duplication and resubmission bases for excluding shareholder proposals under Rule 14a-8. The proposed amendments would replace the current resubmission standard with a "substantially duplicates" standard and, for both the duplication and resubmission exclusions, specify that a proposal "substantially duplicates" another proposal if it "addresses the same subject matter and seeks the same objective by the same means." The proposed amendments would meaningfully narrow each of the three exclusions. If adopted as proposed, these proposed amendments, together with the significant change in staff guidance that narrowed the ordinary business and economic relevance bases for excluding shareholder proposals in November 2021, will make it more challenging for companies to obtain no-action relief and will almost certainly increase the prevalence of shareholder proposals. The deadline for comments on these proposed amendments was September 12, 2022. Additional information on the proposal is available in S&C's memo.

SEC Adopts Amendments to Reverse Aspects of Proxy Voting Advice Rules. On July 13, the SEC voted to adopt amendments to the rules governing proxy voting advice provided by proxy advisory firms. The final rule adopted by the SEC rescinds certain conditions from the proxy rule exemptions for proxy voting advice previously adopted by the SEC under the Trump Administration in July 2020. Specifically, the final rule rescinds Rule 14a-2(b)(9)(ii) under the Exchange Act (the "Information Availability Rule") (as well as the related safe harbors and exclusions in Rules 14a-2(b)(9)(iii)-(vi)), which required proxy advisory firms to (1) make their advice available to the companies subject to their advice at or before the time that they made the advice available to the proxy advisory firm's clients and (2) provide their clients with a mechanism by which they could reasonably have been expected to become aware of any written statements regarding the proxy advisory firm's proxy voting advice by registrants subject to the advice. The final rule also rescinds Note (e) to Rule 14a-9, which set forth examples of material misstatements or omissions related to proxy voting advice, specifically providing that failure to disclose material information regarding proxy voting advice could be misleading. The SEC has also rescinded certain supplemental guidance released in 2020, which was prompted, in part, by the adoption of the rescinded rules. The final rule takes effect on September 19, 2022. Additional information on the rule is available in S&C's memo.

Working Group on Human Capital Accounting Disclosure Submits Petition to Disaggregate Expenses on the Income Statement. On June 7, the Working Group on Human Capital Accounting Disclosure (the "Group") submitted a rulemaking petition to the

SEC in an effort to urge the SEC to create rules that better align with recent changes in public-company landscape affecting human-capital accounting. Specifically, the petition asks the SEC to "develop rules to require public companies to disclose sufficient information to allow investors to assess the extent to which firms invest in their workforce." The Group, in its petition, notes that the 21st century has seen the growth of the human capital firm, but current accounting rules do not properly measure this change on a firm's balance sheet. Rather, when firms invest in items like physical property, that property's value is included as an asset, but spending on research and labor is treated as an expense. The request includes three proposed reforms: (1) that companies should be required to disclose in MD&A the portion of workforce costs that should be considered an investment in the firm's future growth, (2) that workforce costs should be treated in a manner similar to research and development costs, and (3) that the SEC should require greater disaggregation of the income statement to give investors more insight into workforce cost. While the SEC has yet to propose new rules on human capital management disclosure, in February 2022, the Financial Accounting Standards Board restarted work on a project to "improve the decision usefulness of business entities' income statements through the disaggregation of certain expense captions."

DOL Considering ESG Investment Rule. The U.S. Department of Labor ("DOL") is finalizing its proposed amendment to the Investment Duties regulation under Title I of the Employee Retirement Security Income Act of 1974 ("ERISA") to clarify the application of ERISA's fiduciary duties to selecting investments and investment courses of action. The proposed rule would amend the "Investment Duties" regulation at 29 C.F.R. 2550.404a-1. Specifically, the proposed rule would disregard the "pecuniary factors framework" established by the Trump administration DOL in the fall of 2020, that required retirement plan fiduciaries to select investment options based solely on factors that could be "expected to have a material effect on the risk and/or return of an investment," or "pecuniary factors." The new rule instead would provide that fiduciary consideration of projected investment returns "may often require an evaluation of the economic effects of climate change and other environmental, social, or governance factors on the particular investment," and clarifies that a prudent fiduciary may consider any factor in the evaluation of an investment that, depending on the facts and circumstances, is material to the risk-return analysis," which might include, climate-change related factors, governance factors, and workforce practices. Additional information on the DOL's proposed rule is available in S&C's memo.

Gov. Ron DeSantis and Florida State Board Administration Prohibit Consideration of ESG Factors in Pension Investing. On August 23, Governor Ron DeSantis and the State Board of Administration of Florida passed a resolution prohibiting Florida's fund managers from considering ESG matters when investing state funds. The text of the resolution requires that investment decisions must be based on "pecuniary factors" that "do not include the consideration of the furtherance of social, political or ideological interests." The resolution is part of a larger campaign by Gov. DeSantis against "woke ideology," which has included calling out Disney for opposing a bill that banned teaching sexual orientation and gender identity to young children, signing legislation that requires state universities to administer campus-wide ideological surveys intended to identify bias against conservative views and, most recently promoting the Individual Freedom Act or the "Stop W.O.K.E. Act", which was stayed by a Florida Judge on August 19. Texas and West Virginia have enacted laws that require state governmental entities to divest publicly traded securities of financial institutions that boycott fossil fuel-based energy companies and prohibit state governmental entities from contracting with such financial institutions.

2. *United Kingdom*

UK Regulator Investigating Retailers' Alleged "Greenwashing". The U.K. Competition and Markets Authority, which oversees consumer protection matters, announced in July that it is investigating three fast fashion brands due to concerns that their eco-friendly claims are misleading consumers. The investigation is part of a global trend of financial and consumer protection regulators, as well as investors, seeking to address potential "greenwashing". As noted in our previous newsletter, earlier this year the EU proposed a series of changes to EU consumer protection rules, aiming to help consumers make informed and environmentally sustainable product-purchasing decisions. See also the discussion above regarding the FTC Green Guides.

U.K. Regulator Comments on ESG-labelled Bonds and ESG Ratings, Foreshadows Potential Regulation. In late June 2022, the FCA released statements on its approach to the regulation of green, social, sustainability, and sustainability-linked debt instruments and ESG data and rating providers. The statements, which follow rapid growth in the market for ESG debt, remind issuers of ESG-labelled debt of their obligations under the U.K.'s prospectus regime and, in particular, that their separately published frameworks for ESG bonds must be consistent with their bond prospectus. The FCA has endorsed the use of industry standards for ESG-labeled debt, in particular the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines developed by the International Capital Market Association. The FCA also noted that it saw a clear rationale for regulating providers of ESG data and rating services, and provided an early indication of its proposed regulatory approach if the U.K. Government acts to bring those services within the FCA's regulatory perimeter. Our client memo and webinar on the FCA's statements are available here and here.

3. *European Union*

ECB Calls On Banks To Improve Climate Risk Management. On July 8, the European Central Bank ("ECB") released results of its latest climate risk stress test. The ECB found that banks do not yet sufficiently incorporate climate risk into their stress-testing frameworks and internal models, although they have made progress since 2020. The stress test, which involved 104 banks, has been described as a learning exercise by the ECB and will not affect its evaluation of an individual bank's capital adequacy. As part of the stress test, the ECB reviewed the banks' (1) own climate stress-testing capabilities, (2) reliance on carbon-emitting sectors and (3) performance under different scenarios over several time horizons. Among the ECB's findings were that most banks do not include climate risk in their credit risk models and that, on aggregate, almost two-thirds of banks' income from non-financial corporate customers stems from greenhouse gas-intensive industries. The ECB is not the only banking regulator focused on the potential risks posed by climate change to individual financial institutions and the financial system. As noted in previous newsletters, the Bank of England has also been conducting climate-related stress tests, while the U.S. Financial Stability Oversight Council published last year a report examining climate-related risk, and the U.S. Federal Reserve has established a Supervision Climate Committee and a Financial Stability Climate Committee.

EU Approves "Green" Classification for Certain Gas and Nuclear Projects. In July 2022, EU lawmakers approved adding certain gas and nuclear energy sources to list of activities covered by the EU's Taxonomy Regulation, which will enable certain gas and nuclear projects to be labeled as 'green' for purposes of European sustainability disclosures and investment. The decision will enable certain investments in gas and nuclear that are used to transition from higher carbon fuels, including coal, to be marketed as green. The EU noted that the move would "help accelerat[e] the shift from solid or liquid fossil fuels, including coal, towards a climate-neutral future." However, the decision to approve the delegated act that expanded the EU Taxonomy to cover gas and nuclear has been controversial with environmental activists and certain ESG-focused investors, some of whom have indicated they would not invest in gas or nuclear projects despite the change to the EU Taxonomy.

EU Nears Implementation of Broad, Extraterritorial ESG Reporting Requirements. In late June 2022, European Union leaders reached a provisional political agreement on a revised Corporate Sustainability Reporting Directive ("CSRD") that would require more detailed, attested corporate ESG reporting from both EU and non-EU companies. The scope of required reporting covers environmental, social and human rights and governance factors and vastly exceeds the breadth and depth of reporting that would be required under proposed SEC and current UK rules related to climate disclosure. The proposed reporting requirements would apply to all large EU companies, companies with securities (including low denomination debt securities or depositary receipts) listed on a regulated EU market, as well as non-EU companies that generate more than €150 million of annual net turnover in the EU and have at least one "large" or listed EU subsidiary or at least one EU branch with an annual net turnover exceeding €40 million. More information on the latest version of the CSRD is available in our memo and in our forthcoming podcast.

4. *Australia*

Newly Elected Australian Labor Party sets ESG initiatives. In May 2022, Anthony Albanese, leader of Australia's Labor Party, was sworn in as Prime Minister of Australia. The Labor Government ran its 2022 election campaign on a platform of bold ESG policies and legislative commitments. Specifically, the Labor Government indicated its intention to address the "real vacuum of national leadership" on energy, and has committed to establishing an independent Environment Protection Agency, mandate emission reduction targets and implement strict emissions caps on certain high-emitting facilities. The new Government also indicated it would work with Australian regulators to develop and implement standardized reporting obligations to improve the integrity in decision-making around climate change. Regarding the social pillar of ESG, the Labor Party has committed to establishing an independent Anti-Slavery Commissioner, increase gender equality and promote Indigenous rights. Most recently, on September 8, Australia's parliament passed a climate bill outlining the country's target to reduce carbon emissions by 43% from 2005 levels by 2030, with the goal of achieving net zero emissions by 2050.

Regulators Signal Enhanced Enforcement on Climate Matters. In August 2022, the Australian Securities and Investments Commission ("ASIC") released its Corporate Plan for 2022 to 2026 outlining its longer-term strategic priorities and its plan of action for 2022-2023. The Corporate Plan indicates an enhanced focus on "strong and targeted enforcement action to protect consumers and investors." ASIC says that it will take action on "greenwashing," increase its focus on sustainability-related disclosure and governance practices and aims to support market integrity through "proactive supervision and enforcement of governance, transparency and disclosure standards in relation to sustainable finance." ASIC's Corporate Plan 2022-2026 is available here.

5. *Other*

BCBS Issues Principles for the Effective Management and Supervision of Climate-Related Financial Risks. On June 15, the Basel Committee on Banking Supervision ("BCBS") issued principles for the effective management and supervision of climate-related financial risks. The document is part of the BCBS's holistic approach to address climate-related financial risks to the global banking system. It outlines principles for the management of climate-related financial risks by banks, focusing on corporate governance, internal control framework, capital and liquidity adequacy, risk management process, management monitoring and reporting, management of credit risk, market, liquidity, operational and other risks, and scenario analysis. It also provides guidance for prudential regulators on the supervision of climate-related financial risks. The principles were designed so that they can be adapted to a wide range of banking systems. The BCBS noted that it expects implementation of the principles as soon as possible and will monitor progress across member jurisdictions.

Shareholder Engagement Developments

S&C's Proxy Season Review Memo Examines 2022 Proxy Season Engagement Trends, Including Increased Prevalence of Environmental, Social and Political Proposals. On August 8 and August 22, respectively, S&C published Parts I and II of its 10th annual Proxy Season Review Memo. In the 10th edition of S&C's annual proxy season review memo, S&C summarizes significant developments relating to the 2022 U.S. annual proxy season and finds that the growing environmental, social and governance emphasis of proponents and other shareholders has significantly altered proxy season engagement between shareholders and their investors over the course of the last decade. Following a record-breaking number of proposals in 2021, there were 797 submissions in H1 2022, compared to 733 in H1 2021 (and roughly 550 in H1 2012). Read the full memos here: 2022 Proxy Season Review: Part I; and 2022 Proxy Season Review: Part II.

Stakeholders Focus on the Role of Institutional Investors on ESG. On September 6, activist investor and co-founder of Strive Asset Management Vivek Ramaswamy, sent a letter to Chevron, Inc.'s Board of Directors urging the company to produce and distribute more fuel to customers. The letter cites concerns about pressure from institutional shareholders, naming BlackRock, State Street and Vanguard, that Strive Asset Management does not believe align with Chevron's best interests. Ramaswamy, an outspoken critic of ESG investing, called on Chevron in the letter to "lead Chevron with the exclusive objective of maximizing long-run value for the company's ultimate owners while disregarding social pressure applied by certain of the company's large 'shareholders.'" Previously, on August 4, BlackRock received a letter from 19 Republican state Attorneys General citing similar concerns about the institutional investor's position on energy investments, stating that its public commitments (such as alignment with the Paris Agreement) would "force the phase-out of fossil fuels, increase energy prices, drive inflation and weaken the national security of the United States." Blackrock has responded to the letter defending its sustainable investment practices, and rebutting allegations that it is pursuing a climate-focused agenda not aligned with its clients' financial interests, noting that its climate focus is fully aligned with its fiduciary duty "to identify short- and long-term trends in the global economy that may affect our clients' investments."

Managers' Use Of ESG In Fixed Income Surges, Survey Finds. According to the Index Industry Association's survey of 300 investment management firms in the U.S. and Europe, 76% of managers incorporate ESG criteria into their fixed income investments, up from 42% in 2021. In addition, 74% of firms incorporate ESG in equities, up from 53% in 2021. Firms expect that 40% of their portfolios will include ESG elements in the next 12 months, up 13 percentage points from the 2021 survey. More information is available here.

Investment Managers Observe Increase in Prescriptive, Low-Quality Shareholder Proposals. In July, BlackRock announced that it supported 24% of environmental and social proposals in the 2022 proxy season compared to 43% in 2021, due to the more prescriptive nature of the 2022 proposals and because "many climate-related shareholder proposals sought to dictate the pace of companies' energy transition plans despite continued consumer demand, with little regard to company financial performance" and "[o]ther proposals failed to recognize that companies had largely already met their ask." Similarly, T. Rowe Price observed that "the increase in the volume of proposals resulted in a decrease in their overall quality," including greater numbers of inaccuracies, poorly targeted proposals, and prescriptive, action-based requests. Further, T. Rowe Price also noted that "proponents exhibited a lower propensity to negotiate settlements with issuers before taking a proposal to a vote" this proxy season. The investment manager reported that its support for shareholder proposals on environmental topics declined from 28% in 2021 to 16% this year, and its support for shareholder proposals on social topics declined from 19% to 13%.

Litigation Developments

1. *United States*

***West Virginia* v. *EPA*.** On June 30, the Supreme Court in held in *West Virginia* v. *EPA* that federal agencies may issue regulations with major "economic and political significance" only if they can show clear authorization from Congress for such action. In 2015, the Environmental Protection Agency ("EPA") adopted the Clean Power Plan to substantially reduce carbon pollution from coal-fired power plants. The EPA based its authority to adopt the Clean Power Plan on Section 111 of the Clean Air Act, which directs the agency to first determine the "best system of emission reduction" for different facilities and then to set emissions limits that reflect that best system. Even though Section 111 is largely concerned with new or modified facilities, the EPA invoked a rarely used provision of the statute to regulate existing facilities. The Supreme Court held that the EPA lacked the authority to issue the Clean Power Plan. The Court began its analysis by invoking the "major questions" doctrine, under which courts "presume that Congress intends to make major policy decisions itself." Because of that presumption, an agency must point to "clear congressional authorization" before taking regulatory actions with sweeping economic or political consequences. Here, the Court found no such clear congressional directive in the ancillary provision the EPA relied upon for the Clean Power Plan. Additional information on *West Virginia* v. *EPA* is available in S&C's Supreme Court Business Review, October Term 2021, here.

U.S. Chamber of Commerce Sues SEC to Halt Reversal of Proxy Advisor Rules. The U.S. Chamber of Commerce filed suit against the SEC to halt the SEC's reversal of certain provisions in the proxy advisor rules adopted in 2020 (as highlighted above). The Chamber of Commerce, along with co-plaintiffs Business Roundtable and Tennessee

Chamber of Commerce & Industry, are arguing that the SEC did not follow proper procedures under the Administrative Procedure Act when it recently reversed the 2020 proxy advisor rules. Specifically, the Chamber of Commerce is arguing that (1) the SEC failed to provide serious evidence of new or changed circumstances to justify its actions, (2) the SEC failed to provide enhanced justifications for its policy reversal and (3) the amended rule's cost-benefit analysis is opportunistically framed. More information is available here.

Alliance for Fair Board Recruitment and NCPPR Sue the SEC to Vacate Nasdaq's Board Diversity Rules. Conservative groups Alliance for Fair Board Recruitment and National Center for Public Policy Research have challenged the SEC's order approving Nasdaq's board diversity listing rules in the Fifth Circuit (Case No. 21-60626). The phased rules require issuers to disclose board-level diversity metrics and have or explain why they do not have at least two diverse directors, including one who self-identifies as female and one who self-identifies as either an underrepresented minority or LGBTQ+. Petitioners argue that the SEC's order violates the Constitution's Article I Vesting Clause as an exercise of "sweeping legislative power," the First Amendment by compelling speech, the right to equal protection, and statutory requirements under the Exchange Act and the Administrative Procedure Act. The SEC and Nasdaq are defending the action on the basis that, among other arguments, the required disclosures facilitate more consistent and comparable disclosure that would contribute to investors' investment and voting decisions.

2. *United Kingdom*

U.K.'s High Court Finds Shortfalls in Government Net Zero Plans. On July 18, the U.K. High Court held that the U.K. Government's Net Zero Strategy failed to meet requirements set by the U.K. Climate Change Act 2008 (the "Act"). The Act establishes a legally-binding target for the U.K. to reduce its greenhouse gas emissions to net zero by 2050 and requires the relevant Government minister to set five-year carbon budgets and to prepare and report on policies and proposals to meet the net zero target and carbon budgets. In a decision released one day before the U.K. hit its highest ever recorded temperatures, the court found that, in approving the Net Zero Strategy, the relevant government minister did not take into account certain information on the effect of the Government's policies on reducing emissions required by the Act, and that the Net Zero Strategy contained insufficient information to meet the statutory requirements for reports on carbon budgets under the Act. The court has ordered the Government to submit to the U.K. Parliament a new report under the Act by the end of March 2023.

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