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2024Q1 Global ESG Regulation

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Global ESG Regulation Development

ISSB and GRI Release Greenhouse Gas Disclosure Interoperability Document[1]

Greenhouse Gas Disclosure Interoperability Document

The International Financial Reporting Standards Foundation (IFRS Foundation) and the Global Reporting Initiative (GRI) releases a greenhouse gas disclosure interoperability document aimed at standardizing greenhouse gas information disclosure based on different standards.

Enterprises may follow the GRI 305 standard or the IFRS S2 standard in greenhouse gas disclosure. To strengthen the consistency of Scope 1 2 3 data, IFRS and GRI have adjusted the disclosure standards of the two to reduce the company's disclosure costs. Companies that make greenhouse gas disclosures under the GRI 305 standard can directly adjust and obtain the information required by the IFRS S2 standard.

Relationship between GRI 305 Standard and the IFRS S2 Standard

The GRI 305 standard has certain similarities with the IFRS S2 standard. Both refer to the Greenhouse Gas Emissions Protocol (GHG Protocol) and require companies to disclose greenhouse gas statistical methods, input variables and assumptions, etc. Both standards cover major greenhouse gases, such as carbon dioxide, methane, etc., and both disclose these greenhouse gases converted into carbon dioxide quantities according to Scope 1, Scope 2, and Scope 3 indicators.

In terms of greenhouse gas disclosure, there are also certain differences between the GRI 305 standard and the IFRS S2 standard. For example, when converting other greenhouse gases into carbon dioxide, Global Warming Potential (GWP) needs to be used. The GRI 305 standard requires companies to use data from the latest version of the Intergovernmental Panel on Climate Change (IPCC) report, while the IFRS S2 standard requires companies to use the latest IPCC data within the disclosure period. This may cause the data of the GRI standard and the IFRS S2 standard to be different when the IPCC updates the GWP.

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[1] https://www.todayesg.com/greenhouse-gas-disclosure-interoperability/

In addition, the GRI 305 standard requires companies to disclose market-wide Scope 2 data and requires companies to disclose Scope 1 and Scope 3 biological carbon dioxide emissions separately from total emissions. Neither the IFRS S2 standard requires disclosure of this information. When using GWP, IFRS S2 only requires companies to disclose the carbon dioxide emissions after conversion, while the GRI 305 standard requires companies to disclose all greenhouse gases involved in the conversion process.

The IFRS S2 standard also has some information disclosure requirements that are not mentioned in the GRI 305 standard. For example, the IFRS S2 standard requires companies to disclose carbon emission information according to different accounting entities and requires companies to disclose Scope 3 information involved in these financial activities when engaging in asset management, commercial banking, or insurance services. The IFRS S2 standard also includes some carbon emission reduction requirements and provides a more precise definition of the upstream and downstream value chains.

Adjustment of GRI 305 Standard and IFRS S2 Standard

Since 2022, IFRS has been cooperating with GRI to coordinate the disclosure of sustainability-related information. The GRI 305 standard was released in 2016, and the IFRS S2 standard was released in 2023. The GRI 305 standard has been used for longer, so many companies have made multiple information disclosures based on the GRI 305 standard. The launch of the IFRS S2 standard aims to provide a consistent information disclosure template for the world. Considering that the application of the GRI 305 standard is relatively mature, the IFRS S2 standard needs to provide some adjustment methods so that companies can quickly adapt to the conversion of the two standards.

To improve the interoperability of greenhouse gas disclosures, the documents released by IFRS and GRI compare the information disclosure involved in the two standards. After companies choose a certain standard to complete information disclosure, they can adjust the disclosure caliber according to the standards in the document to obtain compliance. For example, greenhouse gas emissions data based on IFRS S2 standards can disclose the calculation process using GWP, thereby making the data compliant with GRI standards.

ISSB Releases Preview of the Inaugural Jurisdictional Guide for the Adoption of ISSB Standards[2]

Inaugural Jurisdictional Guide for the Adoption of ISSB Standards

The International Sustainability Standards Board (ISSB) releases the first Preview of the Inaugural Jurisdictional Guide for the Adoption or other Use of ISSB Standards, aiming to help various jurisdictions around the world to develop regulatory requirements related to the ISSB standards.

The Preview of the Inaugural Jurisdictional Guide is based on the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate-related Sustainability Disclosure Standards (IFRS S2). ISSB plans to release the official version of the sustainability code adoption guidelines in the first half of this year to strengthen the consistency of global sustainable information disclosure.

Background of Inaugural Jurisdictional Guide

As part of the International Financial Reporting Standards (IFRS) Foundation, the ISSB is committed to providing consistent sustainable disclosure standards globally. IFRS accounting standards have effectively become the global language of financial reporting and are applied in many jurisdictions. These guidelines can help companies access international capital markets, encourage global investment, and reduce risk premiums arising from information asymmetry.

Following the release of IFRS S1 and IFRS S2, the ISSB is adopting several measures to encourage jurisdictions to adopt sustainability standards. For example, the ISSB has included Proportionality Mechanisms in two standards and provided disclosure exemptions for the first annual reporting period. The ISSB is also in discussions with multiple regulatory agencies on the development of sustainable regulatory policies. The Preview of the Inaugural Jurisdictional Guide for the Adoption or other Use of ISSB Standards is also an important measure proposed by ISSB.

[2] https://www.todayesg.com/issb-preview-of-inaugural-jurisdictional-guide/

How can Jurisdictions Adopt Sustainability Standards

The ISSB believes that jurisdictions can introduce sustainability-related disclosure requirements into legal or regulatory frameworks to improve the transparency and effectiveness of capital markets, ensure consistency of information disclosure, and meet investor needs. Each jurisdiction can make choices based on its own circumstances and, where ISSB standards are used, include additional disclosure requirements.

Regulators in jurisdictions need to provide market participants with explanations about sustainability standards, such as the rationale for using ISSB standards, a roadmap based on actual circumstances, and the entities covered by ISSB standards. The ISSB recommends that jurisdictions adopt a phased approach, gradually adopting sustainability standards and adding requirements over time. Some jurisdictions that already have disclosures based on the Task Force on Climate-related Financial Disclosures (TCFD) and the Global Reporting Initiative (GRI) will make the transition to sustainable disclosures much easier, because some key elements are already built into the ISSB standards.

To improve regulators' capabilities in sustainability disclosures, IFRS is developing a Regulatory Implementation Program to support jurisdictions in adopting ISSB standards. The regulatory implementation plan will describe the processes related to the ISSB standards, the rationale for adoption and how sustainable disclosure practices in different jurisdictions will be considered together.

Jurisdictional Sustainability Application Features

The ISSB provides jurisdictions with a set of application features for the sustainability requirements that determine how jurisdictions apply the ISSB standard, as well as key elements of the sustainability disclosure framework. Common application features are as follows:

- Regulatory status: Jurisdictions need to develop legal documents and apply ISSB guidelines.

- Level of alignment: Jurisdictions need to clarify the extent to which sustainability standards are consistent with the ISSB standards.

- Target entities: Jurisdictions need to specify entities that comply with ISSB standards.
- Disclosure arrangements: Jurisdictions need to clarify whether sustainability disclosures are in general financial reporting.
- Effective date: Jurisdictions are required to establish the effective date for sustainable disclosures.
- Transition waivers: Jurisdictions will need to determine whether they need a waiver from the initial requirements.
- Additional disclosures: Jurisdictions will need to determine whether to add additional disclosure requirements.

Net Zero Banking Alliance Releases New Guidelines for Climate Target Setting[3]

Guidelines for Climate Target Setting

The Net Zero Banking Alliance (NZBA) releases new guidelines for climate target setting, aiming to strengthen the banking industry's climate commitment and help to achieve the 2050 net zero goal.

The Net Zero Banking Alliance has nearly 150 signatories, and its assets under management have reached US$75 trillion, accounting for 40% of the total assets of global banks. Signatories already provide net-zero financing to carbon-intensive industries such as power, energy, and real estate.

Update to New Guidelines for Climate Target Setting

The new guidelines are based on the first version released by NZBA in 2021, reflecting the new trend of net-zero development in the banking industry in the past three years. The new guidelines maintain the same overall goals and key principles, with signatories committing to achieving net-zero emissions by 2050 or before and setting science-based carbon reduction targets for 2030.

For the first time, the guidelines expand the scope of the net zero target to banks' capital market activities. NZBA believes that the underwriting services provided by banks to clients when issuing stocks and bonds may increase greenhouse gas emissions and therefore need to be included in the calculation. The new guide also updates net-zero methods and data from the past three years.

Key Principles of New Guidelines for Climate Target Setting

The new guidelines are based on the following key principles:

Ambition: Limit global warming to 1.5 degrees Celsius by the end of this century and achieve the 2050 net zero target based on science-based methods.

[3] https://www.todayesg.com/nzba-guidelines-for-climate-target-setting/

Scope: Provide a carbon emission measurement framework for signatories in lending, investment, and capital market businesses, including Scope 1, Scope 2, and Scope 3 GHG, and continue to increase as data quality and customer disclosure are improved.

Targets: Signatories need to set net zero targets for 2030 and 2050, and set new mid-term targets every five years, which should include planned actions.

Coverage: Signatories are required to disclose information that has a significant impact on industry emissions and financial performance to the extent permitted by data and methods. This information should comply with regulatory disclosure requirements.

Governance: The goals set by the signatories need to be adopted by the bank's top management.

Implementation: Signatories are required to set climate goals within 18 months of joining the NZBA and disclose progress annually. All targets set after April this year need to comply with the requirements of the new guidelines.

Contents of New Guidelines for Climate Target Setting

The new guidelines are mainly divided into four parts, namely:

Guideline 1: Banks need to independently set and publicly disclose long-term and medium-term climate targets to achieve net zero by 2050. Banks are required to provide Scope 1, Scope 2 and Scope 3 carbon emission data, and provide the methods, benchmarks, scenario information used in the disclosure, and disclose transition plans within one year after the release of the target to support emission reductions in carbon-intensive industries. NZBA encourages banks to seek third-party audits to verify the data when publishing performance reports.

Guideline 2: Banks need to establish carbon emissions baselines and measure and report carbon emissions from lending, investment, and capital markets activities annually. Carbon emissions data includes absolute emissions and carbon intensity and provides measurement methods and reliable data sources. When using proxy variables, banks need to use the highest quality data for calculations.

Guideline 3: Banks need to adopt science-based carbon reduction options to set long-term and medium-term targets consistent with the 2050 net zero target. NZBA recommends using scenarios provided by the United Nations Intergovernmental Panel on Climate Change (IPCC) or scenarios provided by the International Energy Agency (IEA), and disclosing the key assumptions used.

Guideline 4: Banks need to review climate targets regularly. Banks are required to review the objectives at least every five years and revise them where necessary to demonstrate changes in material factors. The updated goals are approved by top management and monitored as part of the bank's organizational strategic plan.

Global Reporting Initiative Releases Sustainability Reporting Standard for Mining Industry[4]

Sustainability Reporting Standard for Mining Industry

The Global Reporting Initiative (GRI) releases sustainability reporting standard for mining industry, aiming to provide a consistent and complete sustainability disclosure framework for the mining industry and promote sustainable development.

The sustainability reporting standard for mining industry is designed with double materiality, considering the interaction between the environment, society, and the industry, and reflecting different stakeholders' requirements for sustainable information disclosures.

Introduction to Mining Industry and Sustainable Development

The mining industry is very important in modern society and economy. Minerals are raw materials for industries such as infrastructure, transportation, and agriculture, as well as renewable energy industries such as wind turbines and solar panels. Minerals can be divided into metallic minerals and non-metallic minerals, both of which are mined by capital-intensive companies.

The mining industry has multiple economic activities, such as exploration, development, mining, transportation, storage, sales, etc. These activities are large-scale and are likely to span multiple regions and last for decades. The mining industry can have an important impact on water resources, biodiversity, labor, local communities, etc., and determines the future development of clean energy technologies. Therefore, sustainability reporting standard for mining industry can help companies consider sustainable impacts in their operations and disclose relevant issues when necessary.

Material Topics in the Mining Industry

The Global Reporting Initiative has developed 25 material topics for the mining industry and explains each topic so that companies can make

[4] https://www.todayesg.com/gri-sustainability-reporting-standard-for-mining-industry/

sustainable disclosures in accordance with the guidelines. These topics include three aspects: environment, society, and governance, among which substantive topics at the environmental and social levels account for a higher proportion. This article introduces several common substantive topics.

14.1 Greenhouse gas emissions: Mining is an energy-intensive activity. Different mining methods, geological conditions, and processing technologies all affect greenhouse gas emissions. When greenhouse gas emissions are considered a material topic, companies need to disclose energy consumption and energy density, as well as Scope 1, Scope 2, Scope 3 carbon emission data and emission intensity.

14.4 Biodiversity: Mining often requires large-scale development, with impacts on biodiversity and ecosystems. Mining can lead to ecological changes in land and oceans, producing pollutants that affect biological activity. When biodiversity is considered a material topic, companies are required to disclose biodiversity impact management policies, biodiversity-sensitive sites, and direct drivers of biodiversity loss to avoid, offset and restore the impacts of the company's activities.

14.10 Local communities: Mining can create economic benefits in terms of local employment, taxation, and infrastructure construction, but it may also have negative impacts on culture and health. Therefore, it is necessary to evaluate the impact of the entire life cycle of the mine on local communities from an environmental and social perspective. Companies need to disclose community stakeholders and interaction methods, including local community engagement, impact assessment and development plans, as well as business activities that may have a significant impact on the community.

14.16 Occupational health and safety: Workforce health and safety in mining is a topic of continued concern within the industry. Mining machinery, mine structures, work intensity, etc. may bring dangers and may cause serious impacts. At the same time, long-term travel, job rotation, and irregular working hours will also bring psychological burden. Companies need to disclose their occupational health and safety management systems, provide risk identification and assessment processes, conduct safety training for employees, and communicate with them.

The sustainability reporting standard for mining industry comes from a consultation document released last year and will officially come into effect in 2026, when companies will need to disclose in accordance with it.

Global Reporting Initiative Releases New Version of Biodiversity Disclosure Standard[5]

Biodiversity Disclosure Standard

The Global Reporting Initiative (GRI) has released a new version of the biodiversity disclosure standard GRI 101: Biodiversity 2024, aiming to meet global biodiversity disclosure requirements.

The revised biodiversity disclosure standards are based on the foundations of many biodiversity frameworks around the world, such as the Global Biodiversity Framework (GBF) and the Task Force on Nature-related Financial Information Disclosure. related Financial Disclosures (TNFD). The new version of the standard will replace the GRI 304 Biodiversity Disclosure Standard released in 2016 and will officially take effect in January 2026.

Disclosures Based on Biodiversity Management

GRI states that any company can use the new version of the biodiversity disclosure standards to disclose information if it believes that biodiversity has a material impact. The new version of the disclosure standard divides all disclosure contents into two parts, namely disclosure based on biodiversity management and disclosure based on biodiversity topic. The former refers to the company's policies and management processes for biodiversity, while the latter refers to the company's specific biodiversity information.

Disclosure based on biodiversity management is divided into three aspects, namely:

Policies to prevent and reverse biodiversity loss (Disclosure 101-1): Companies should describe their policies to prevent and reverse biodiversity loss, report how these policies apply to operations, and list specific indicators. Companies also need to disclose the relationship between these policies and the 2030 goals, and 2050 goals set by GBF.

Management of biodiversity impacts (Disclosure 101-2): Companies should disclose actions taken to manage biodiversity impacts, as well as

[5] https://www.todayesg.com/gri-releases-new-biodiversity-disclosure-standard/

locations with high biodiversity impacts and their management plans. Companies need to describe how they avoid negative impacts on biodiversity and how they reproduce trade-offs between biodiversity and climate change issues.

Biodiversity access and benefit (Disclosure 101-3): Companies should disclose the process of accessing and benefiting from biodiversity, and whether biodiversity resources are used fairly and equitably. Companies are also required to report on practices, codes of conduct and standards related to joint research projects, training and knowledge sharing with stakeholders.

Disclosures Based on Biodiversity Topic

Disclosures based on biodiversity topic is divided into five aspects, namely:

Identification of biodiversity impact (Disclosure 101-4): Companies need to disclose which products and services have substantial impacts on biodiversity, as well as the scale, scope, and characteristics of these impacts. Biodiversity impacts should be identified using primary data or, where primary data are not available, secondary data.

Locations with biodiversity impact (Disclosure 101-5): Companies are required to disclose locations with the greatest impact on biodiversity, as well as specific information about these locations (location, area, distance from ecologically sensitive areas). Companies are also required to report on the products and services carried out in these locations, as well as the jurisdictions in which these products and services are provided.

Drivers of biodiversity loss (Disclosure 101-6): Enterprises need to report changes in natural resources and pollutants that may be caused by operating activities in the above locations, and provide methods, standards, and assumptions for analyzing these changes.

Changes in biodiversity status (Disclosure 101-7): Companies are required to report on the status of ecosystems under the influence of the above drivers, including ecosystem type, size, and changes from the baseline date. Businesses can use input-output models and life cycle impact assessments to assess biodiversity changes more accurately.

Ecosystem services (Disclosure 101-8): Companies need to disclose the beneficiaries of biodiversity resources and how these beneficiaries are

affected by the company's operating activities. These benefits include tangible assets such as natural resources, as well as intangible assets such as biodiversity-related cultural services.

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ESG Regulation in Europe

EU Plans to Set 2040 Climate Target[6]

EU 2040 Climate Target

The EU plans to set 2040 climate target, aiming to establish a second medium-term goal based on EU Climate Law and strive to make Europe the world's first climate-neutral continent by 2050.

The EU has set a mid-term goal of reducing greenhouse gas emissions by 55% in 2030. Setting a 2040 climate target will help the EU allocate resources in a sustainable direction and develop a net-zero path that is in line with the Paris Agreement's warming goals.

Background on EU 2040 Climate Target

The COP28 meeting mentioned the need for countries to take additional climate action to limit global warming to 1.5 degrees Celsius. Specifically, global greenhouse gas emissions need to be reduced by 43% in 2030 and 50% in 2035 (using 2019 as the base year), and renewable energy production and energy efficiency doubled in 2030.

As an important global economy, the EU is already at the forefront of global climate actions. The EU has released the Carbon Border Adjustment Mechanism (CBAM) to encourage countries to reduce carbon emissions and established a working group to help other countries develop carbon pricing mechanisms. The European Investment Bank has become the largest contributor to public climate finance in developing economies, providing €28.5 billion in 2022 to support the net-zero transition. The EU has also established green partnerships with many countries around the world to jointly achieve climate neutrality goals.

The 2040 climate target will serve as the basis for the EU's Nationally Determined Contribution (NDC) and provide new adjustments to the EU's 2035 net-zero plan.

Contents of EU 2040 Climate Target

[6] https://www.todayesg.com/eu-plans-to-set-2040-climate-target/

The climate goal proposed by the EU this time is to reduce greenhouse gas emissions by 90% in 2040 (using 1990 as the base year). That is, greenhouse gas emissions in 2040 should be less than 8.5 million tons of carbon dioxide, and the scale of carbon removal should reach 4 million tons of carbon dioxide. At the same time, fossil energy consumption is expected to decrease by 80%. The realization of the 2040 climate goal depends on the smooth implementation of the 2030 EU climate and energy framework. Therefore, the EU also needs to formulate a 2030 energy and climate framework to achieve a just transition and competitive sustainability of the European Green Deal.

To achieve climate target, EU needs to adopt renewable energy technologies to drive decarbonization, such as fully decarbonizing the electricity system and reducing emissions by 80% in the transport sector. The EU also needs to deploy carbon capture projects sooner to sequester carbon emissions from industry in biomass and soil. The EU has developed an Industrial Carbon Management Communication to make recommendations on relevant policies and investments.

Benefits of Setting 2040 Climate Target

The EU believes that setting 2040 climate target in a timely manner can provide investors, consumers, enterprises, and regulators with the necessary information to help them make correct decision. For example, meeting climate goals requires large-scale investment and the application of carbon-intensive technologies, which can send a clear signal to companies and encourage them to innovate in clean energy technologies. At the same time, green technology talents can also seek job opportunities in the market. The EU believes that in clean technology manufacturing alone, the market size will triple from the current level in 2030, reaching US$650 billion.

Setting climate target, in addition to strengthening the EU's technological leadership, would also reduce the impact of fossil fuel price shocks and supply chain fluctuations. The EU estimates that achieving its climate goals by 2040 can reduce fossil fuel import costs by US$2.8 trillion in the next two decades, while avoiding the impact of climate change on the environment and biodiversity, maintaining climate-friendly economic growth, and contributing to the realization of a green Europe.

ECB Releases Climate and Nature Plan 2024-2025[7]

Climate and Nature Plan

The European Central Bank (ECB) releases the Climate and Nature Plan 2024-2025, which aims to summarize previous climate actions and formulate new working areas in the next two years.

The ECB believes that the physical impacts of climate change and natural degradation are gradually emerging, and the European economy needs to transition to net zero as soon as possible. Therefore, it needs to consider the impacts of climate and nature in its work and contribute to protecting and improving the environment.

ECB's Climate and Nature Actions

In recent years, the ECB has made contributions to understanding and responding to climate risks, such as integrating climate factors into monetary policy in 2021 and formulating a climate agenda in 2022. The ECB plans to continue its actions in the following areas:

Macroeconomic analysis and monetary policy: The ECB plans to improve analytical tools for assessing and predicting climate impacts, strengthen risk management of climate change on the economic system, and continue to integrate climate change into monetary policy.

Banking supervision and financial stability: The ECB will continue to address climate and environment-related factors and update its regulatory framework to identify, assess and mitigate risks, further integrate climate risks into the prudential framework, and disclose more information.

Climate-related data: The ECB will improve climate reporting indicators and establish international standards for climate information disclosure.

Central Bank Sustainability: The ECB will reduce the carbon footprint of its operations and investment portfolios and regularly disclose its climate related work.

[7] https://www.todayesg.com/ecb-climate-and-nature-plan-2024-2025/

Key Areas of Climate and Nature Plan

In addition, the ECB will focus on three key areas in its climate and nature plan, namely:

Lead the transition to a green economy: Transition to a green economy depends on sufficient public and private funding for green investment and transition policies such as carbon pricing. The ECB needs to understand the progress of the transition and provide the necessary investments for the transition to achieve its monetary policy objectives and control the economic and financial risks associated with the transition.

Cope with the physical impacts of climate change: Extreme weather affects the macroeconomic and financial systems through multiple channels. The ECB needs to understand the substantial impact of climate change on economic variables and explore climate adaptation policies and investments.

Advance work on nature: Nature loss and degradation poses economic and financial risks, and there are numerous links between nature and climate. The ECB needs to further understand the impact of nature-related risks on the economy to deepen its understanding of natural risks.

EFRAG Releases Draft on Sustainability Reporting Standards for SMEs[8]

Draft on Sustainability Reporting Standards for SMEs

The European Financial Reporting Advisory Group (EFRAG) releases two drafts on sustainability reporting standards for SMEs, aiming to formulate regulations for sustainability reporting standards for small and medium-sized enterprises and standardize sustainable information disclosure.

The drafts released this time is divided into two parts, one is the sustainability reporting standard for listed small and medium-sized enterprises (ESRS LSME ED), and the other is the sustainability reporting standard for unlisted small and medium-sized enterprises (VSME ED). EFRAG plans to submit the former to the EU for review and make it a mandatory disclosure requirement in 2026, while the latter is voluntary disclosure by companies. The drafts on the sustainability reporting standards for small and medium-sized enterprises released this time are also effective supplements to the existing European Sustainability Reporting Standards (ESRS) for large companies.

Draft on Sustainability Reporting Standards for Listed SMEs

EFRAG's draft sustainability reporting guidelines for listed SMEs consider the scale and complexity of SME activities and develop relevant reporting requirements based on these characteristics. EFRAG believes that this standard will help small and medium-sized enterprises obtain financing and avoid unfavorable attitudes by financial market participants. ESRS LSME ED is divided into six parts (three general parts and three metric parts), namely:

General Requirements: stipulates that small and medium-sized enterprises need to disclose the impacts and risks (IRs) related to environmental, social and governance matters in ESRS LSME ED, and how these impacts change their operating conditions. SMEs can disclose the remaining sustainability-related material short-, medium- and long-term financial impacts and submit a separate sustainability statement. Enterprises should use double materiality as the basis for sustainable disclosure and evaluate sustainable matters to stakeholders in the value chain.

[8] https://www.todayesg.com/efrag-sustainability-reporting-standards-for-smes/

General Disclosures: stipulates the general disclosure content of small and medium-sized enterprises, including the preparation of information disclosure, the company's sustainable governance process (sustainable management, supervision, and due diligence), sustainable strategy (sustainable business model and value chain), stakeholder views, material sustainability information and its impact, risk management, etc.

Policies, Actions and Targets: stipulates SMEs to disclose sustainable policies, actions and targets, such as policies developed to prevent and mitigate sustainable risks, as well as the human and financial resources involved in the policies and actions, and also measurable sustainable goals.

Environment: stipulates environmental matters disclosed by small and medium-sized enterprises, including climate change, pollution, water and marine resource management, biodiversity and ecosystems, resource utilization and circular economy, as well as other environmental issues that may lead to significant financial changes.

Social: stipulates social matters disclosed by small and medium-sized enterprises, including employee characteristics, wages, social security, employee training, employee health and safety, employee compensation, employee diversity, work-life balance, etc.

Business Conduct: stipulates governance matters disclosed by small and medium-sized enterprises, including supply chain relationship management, etc.

Draft on Sustainability Reporting Standards for Unlisted SMEs

The contents of the draft on sustainability reporting standards for unlisted SMEs (VSME ED) is like ESRS LSME ED, and includes sustainability disclosure preparation and specific environmental, social and governance issues. In contrast, the information disclosure of VSME ED is simpler than that of ESRS LSME ED. EFRAG believes that the simplified VSME ED can reduce the disclosure burden on unlisted SMEs and save their resources. In addition, VSME ED also includes two optional modules, namely the policies, actions and targets module and the business partner module.

EFRAG plans to provide a four-month consultation period for the two drafts, and interested market participants can submit a consultation questionnaire on the website.

European Banking Authority Releases Survey on Classification Methods for ESG Risk Exposures[9]

Survey on Classification Methods for ESG Risk Exposures

The European Banking Authority (EBA) releases a survey on classification methods for ESG risk exposures, aiming to develop a standardized ESG risk exposure identification mechanism for the banking industry.

The European Banking Authority has previously released a draft on ESG risk management to help the banking industry identify, measure, manage and monitor ESG risks. The survey on classification methods for ESG risk exposures will serve as an important part of the prudential framework and be used in regulators' stress testing and scenario analysis of climate-related financial risks.

Contents of Survey on Classification Methods for ESG Risk Exposures

The survey on classification methods for ESG risk exposures is a voluntary survey and is designed for credit institutions operating in the EU. ESG risk exposures covered by the survey include corporate customers, retail customers and immovable property mortgage guarantees. This survey is divided into six parts. The contents of each part are as follows:

Part 1: Basic information of credit institutions.

Part 2: Basic information on classification methods for ESG risk exposures, such as the methods used by credit institutions to identify and quantify ESG risks, and how to apply this method in different industries and asset classes.

Parts 3, 4, 5, and 6: The credit institutions' ESG risk exposure on non-financial corporations (NFCs), retail small and medium-sized enterprises (SMEs), non-SMEs and households. Contents include identification methods for environmental, social and governance risks, indicators involved in physical risks and transformation risks, internal stress testing and scenario analysis methods, and methods to quantify these ESG risks.

[9] https://www.todayesg.com/eba-classification-methods-for-esg-risk-exposures/

European Banking Authority Releases Drafts on ESG Risk Management[10]

Draft on ESG Risk Management

The European Banking Authority (EBA) releases a draft on ESG risk management to help the banking industry deal with social, environmental and governance risks arising from the EU's climate transition.

EBA believes that the business model and risk profile of the banking industry are affected by ESG factors. The draft proposed this time will stipulate how banks identify, measure, manage and monitor these risks to ensure the sound operation of financial institutions. This draft allows a three-month consultation period, and stakeholders can provide feedback on the EBA website.

Status of ESG Risk Management in Banking Industry

EBA believes climate change and environmental degradation are bringing huge challenges to the economy. These challenges have affected the transition between low-carbon economy and sustainable economy and have an impact on financial institutions. To deal with environmental, social and governance risks, the banking industry needs to systematically identify, measure, and manage ESG risks. However, due to the particularity of ESG risks and lack of historical experience, there are large differences in the practices of ESG risk management among different institutions.

In its observation of monitoring ESG risk management in the banking industry, the EBA found that most banks are still in the early stages of risk management, and these risks may still pose challenges to the banking industry's business strategy and risk management. Therefore, incorporating short-term, medium-term, and long-term ESG risks into the banking industry's internal governance and capital needs assessment is an important measure to manage ESG risks.

[10] https://www.todayesg.com/eba-releases-drafts-on-esg-risk-management/

Identification and Measurement of ESG Risks

The first step in identifying and measuring ESG risks is a material assessment. EBA believes that banks should conduct a substantive assessment of ESG risks at least once a year, consider the impact of ESG risks on the market, liquidity, business model, operations, and reputation, and understand the financial materiality of these impacts. In terms of time horizon, the assessment should include short-term (less than 3 years), medium-term (3 to 5 years) and long-term (more than 5 years) and consider the use of both qualitative and quantitative data.

After substantive assessment, to complete ESG risk identification, banks should establish effective processes in data collection and processing, such as establishing a data governance framework, improving IT infrastructure, and regularly reviewing the reliability of counterparty disclosures based on existing data. Continuous information to obtain the required ESG data from multiple levels.

After obtaining ESG data, banks need to identify risk exposures to ESG factors to measure their financial risks. Banks can use exposure-based, portfolio-based, and scenario-based approaches to comprehensively assess ESG risks and calculate the bank's sensitivity to different risks. For common environmental risks, banks need to quantify the probability and scale of these risks and establish Key Risks Indicators (KRIs) to measure the impact.

ESG Risk Management Measures in Banking Industry

The EBA has developed ESG risk management measures for the banking sector, including:

Establish ESG risk management principles. Banks should regard ESG risks as traditional financial risks and incorporate them into regular risk management systems and processes to ensure consistency with the overall risk strategy.

Develop strategies and business models related to ESG risks. Banks need to understand the changes that ESG factors will bring to the economic and financial system in the short, medium, and long term, and how these changes will affect bank strategies and business models.

Clarify ESG-related risk appetite. Banks need to understand the ESG risks they can take on in their businesses and investment portfolios and ensure that the KRI is consistent with the bank's overall risk appetite.

Cultivate ESG risk management talents. Banks need to provide training for managers and employees to understand ESG risks and provide three lines of ESG risk defense: business, risk management and internal audit.

Implement ESG-based risk assessment. Banks can incorporate ESG factors into capital adequacy assessments and liquidity assessments and integrate them into credit risk assessments to accurately measure the impact of ESG risks.

Set up an ESG risk monitoring process. The banking industry should regularly report ESG risks and develop a series of forward-looking ESG risk indicators to measure changes in ESG risks.

European Banking Authority Launches Green Loan Label[11]

Green Loan Label

The European Banking Authority (EBA) launches the green loan label, aiming to establish standards for green loans and incorporate them into the Mortgage Credit Directive (MCD).

This green loan label is in response to the EU's previous solicitation for opinions on green loans. In the EU's Strategy on Financing the Transition to a Sustainable Economy, the EU requires the EBA to provide advice on green loans for individual customers and small and medium-sized enterprises and based on the European Taxonomy and sustainable information disclosure requirements.

Development of Green Loan Market

As an instrument to finance sustainable economic transition, the green loans market is growing year by year. The total amount of EU green loans and sustainable loans reaches 156 billion euros in 2022, of which green loans account for about 20%. The market size of green loans accounts for 4.5% of the total size of all loans, concentrated in the household sector (73%) and the non-financial corporate sector (21%). However, compared with the scale of green bonds and sustainable bonds (nearly 300 billion euros in 2022), the proportion of the green loan market in sustainable financial instruments market is on a downward trend.

Credit institutions such as banks mainly rely on internal standards to identify whether a loan is a green loan. This internal standard is based on the EU Taxonomy and involves Substantial Contribution (SC) and Do Not Significant Harm (DNSH). Green loans are mainly issued to five areas: renewable energy, green buildings, clean transportation, sustainable production and recycling, and energy-saving products. Credit agencies generally require companies to generate most of their revenue from these sustainable areas and conduct negative screening for some industries.

[11] https://www.todayesg.com/eba-launches-green-loan-label/

Definition of Green Loan Label

Despite similarities in credit institutions' business processes for green loans, credit institutions still face difficulties in market competition, consumer protection, and loan origination and monitoring due to the lack of common definitions and rules. The International Capital Market Association (ICMA) previously released the Green Loan Principles (GLP), which provides an industry framework for global green loans.

Based on GLP and the European Taxonomy, the EBA defines green loans as follows: The borrower uses the loan for economic activities that can achieve one or more environmental objectives of the EU Taxonomy without significantly compromising other environmental objectives. This definition would provide consistency across the EU, improve credit institutions' business compliance, and reduce the risk of greenwashing.

After completing the definition of green loans, the EBA defines the green loan label as: helping borrowers identify green loans and requiring them to comply with green loan obligations to benefit from green loans. Green loan labels are voluntary and can increase transparency in product identification, enhance investor protection, and incentivize borrowers' economic activity through cost adjustments (like sustainability-linked loans). Green loan labels can also reduce loan issuance costs for credit institutions.

Suggestions from European Banking Authority

To promote the green loan label, the EBA believes that regulators need to clarify the economic activities involved in green loans in the short term and formulate a definition of green loans based on current European environmental policies. Economic activities involved in green loans should be integrated with the EU Taxonomy, but before market standardization, policies should also consider market standards for other environmental objectives beyond the Taxonomy.

EBA recommends that regulators develop a green loan framework in the medium term, provide rules for loan agreements and issuing processes, use green bond labels as an example to formulate general requirements for green loan labels, and incorporate green loan labels into the EU's green finance plan. In addition to achieving environmental goals, regulators can also consider incorporating transition financing into the scope of loans and design transition loans.

ESMA SMSG Advice on Draft Guidelines on Enforcement of Sustainability Information[12]

Draft Guidelines on Enforcement of Sustainability Information

The Securities and Markets Stakeholder Group (SMSG), an affiliate of the European Securities and Markets Authority (ESMA), releases advice on Draft Guidelines on Enforcement of Sustainability Information (GLESI) to provide support for the implementation of the EU Corporate Sustainability Reporting Directive (CSRD) around EU jurisdictions.

The European Securities and Markets Authority releases a consultation paper on the Draft Guidance on the Implementation of Sustainable Information (GLESI) last year. GLESI is in response to Corporate Sustainability Reporting Directive (CSRD) on regulations of sustainability information disclosure by National Competent Authorities (NCA). Countries will begin applying the Corporate Sustainability Reporting Directive in phases in 2025, with the first batch of companies required to publish sustainability information in January 2025.

Introduction to Draft Guidelines on Enforcement of Sustainability Information

The Draft Guidelines on Enforcement of Sustainability Information (GLESI) are based on the Guidelines on Enforcement of Financial Information (GLEFI) implemented in 2014 and will be consistent with GLEFI as much as possible to ensure the supervision and management of sustainable information. GLESI will be applied to the supervision of all listed companies trading in regulated financial markets in the EU. Currently it only applies to large companies, but national competent authorities can apply GLESI to small and medium-sized companies or unlisted companies on a voluntary basis.

ESMA believes that as the sustainable information disclosure framework is updated faster than the financial information disclosure framework, it may put certain pressure on listed companies, and regulators should maintain certain flexibility at first.

[12] https://www.todayesg.com/guidelines-on-enforcement-of-sustainability-information/

SMSG's Recommendations on Draft Guidelines on Enforcement of Sustainability Information

The Securities and Markets Stakeholders Group (SMSG) believes that sustainable disclosure is a rapidly evolving topic and stakeholders such as listed companies, asset managers and regulators need to spend a lot of time tracking and complying with sustainability rules. SMSG recommends that ESMA maintain communication with NCA and share regulatory experience on sustainable information disclosure. This communication platform can be chosen as ESMA's Sustainability Reporting Working Group (SWRG).

Regarding the categories of companies to which GLESI currently applies, SMSG believes that the use of the rules should be clarified for SMEs and unlisted companies to reduce the risk of an unfair competitive environment. At the same time, when translating the European Sustainability Reporting Standards (ESRS) into English and other languages, there may still be risks in using artificial intelligence for translation, which needs to be paid attention to in practical applications.

The Draft Guidelines on Enforcement of Sustainability Information (GLESI) adds the term infringements in the document, which refers to material omissions and misstatements in sustainable information disclosure. SMSG believes that the lack of a consistent definition of material omissions and misstatements will lead to errors in member countries' implementation of GLESI. SMSG recommends that ESMA develop clearer guidelines in the future.

SMSG also provides a perspective on the Material Departures defined by ESMA in GLESI. GLESI believes that when the sustainable information disclosure of a listed company is significantly different from the requirements of IFRS, it can be considered that there is a major deviation in the disclosure of the listed company.

However, considering the preliminary application of the current sustainable information disclosure rules and the fact that sustainable information auditing is not as mature as financial information auditing, in many cases these deviations should not be used as a charge for listed companies when revising sustainable information. Non-financial information such as sustainability information may contain forward-looking information, while financial information is more based on historical data. Therefore, listed companies that participate in initial

reporting should have a certain degree of freedom to revise sustainable information in the future.

European Securities and Markets Authority Releases Consultation Paper on European Green Bond Regulation[13]

Consultation Paper on European Green Bond Regulation

The European Securities and Markets Authority (ESMA) releases consultation paper on European Green Bond Regulation, aiming to collect opinions from market participants on green bond regulatory policies.

The Regulation on European Green Bonds (EuGB Regulation) was released in November last year and requires ESMA to publish Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS). ESMA plans to launch two consultations in the first quarter of 2024 and the first quarter of 2025. This consultation includes 4 RTS drafts and 1 ITS draft and will be submitted to the European Commission at the end of this year.

Senior Management and Analytical Resources

The first RTS of the consultation paper is on Senior Management and Analytical Resources, targeting institutions planning to become external reviewers of green bonds. ESMA believes that the management and supervision of external examiners should be undertaken by people with the necessary skills and background to ensure that financial institutions maintain sufficient objectivity and accuracy in green bond issuance, information disclosure and other activities.

ESMA will first assess the personal skills of senior management in green bonds and confirm that management can guide external reviews. At the same time, the number, experience, and level of the agency's analysts need to meet the requirements for conducting external reviews. These individuals are required to provide details of their education, professional training and work experience and submit plans for ongoing training.

Sound and Prudent Management and Conflicts of Interest

The second RTS of the consultation paper is on Sound and Prudent Management and Conflicts of Interest. ESMA believes that corporate

[13] https://www.todayesg.com/esma-european-green-bond-regulation/

governance and internal control mechanisms are very important for the sound and prudent management of external auditors. Companies need to assess whether there is a conflict of interest in their business and identify, eliminate, or disclose it.

ESMA requires institutions to provide information on corporate governance, including the company's organizational chart, the administrative and accounting procedures for the company's business, and the processes for retaining information and system security. In terms of conflicts of interest, institutions need to provide a list of current and potential conflicts of interest and measures to mitigate conflicts of interest and distinguish which conflicts of interest need to be disclosed and which need to be eliminated.

Knowledge and Experience of Analysts

The third RTS of the consultation paper is about Knowledge and Experience of Analysts. Institutions need to ensure that their analysts have the knowledge and experience required to complete the business and are aligned with the analytical resources in the first RTS.

ESMA requires institutions to provide information such as analysts' education background and work experience and pays attention to how to ensure business consistency between the institution's internal analysts and third-party analysts.

Outsourcing of Assessment Activities

The fourth RTS of the consultation document is about Outsourcing of Assessment Activities. ESMA believes that when organizations outsource operations to third-party service providers, they need to ensure that these service providers can perform the work professionally and that they do not compromise the quality of the organization's internal controls.

ESMA requires external auditors to assess whether third-party service providers have the professional capabilities to carry out their work and to set specific standards for service providers to ensure that the supervisory authority's supervisory capabilities are not restricted. Evaluations of third-party service providers by external auditors should be conducted annually, with results approved by senior management.

Forms, Templates and Procedures for Registration

The first ITS consultation paper on Forms, Templates and Procedures for Registration. ESMA has adopted simple and consistent forms and templates to reduce applicants' compliance costs and improve process efficiency.

Institutions need to provide their name, legal form, ownership structure, senior management information, analyst information, corporate governance arrangements, etc. when applying for registration. This information needs to be consistent with the requirements of the four RTSs mentioned above.

UK Plans to Regulate ESG Ratings Providers[14]

Regulation Plan for ESG Ratings Providers

In the 2024 Spring Budget, the UK government states that it will supervise ESG rating providers and entrust this work to the Financial Conduct Authority (FCA). This may mean that UK ESG ratings regulations will be announced this year.

The UK FCA has previously established the ESG Advisory Committee to incorporate ESG into the regulatory process, aiming to improve the transparency of ESG information disclosure and help investors obtain green products and services.

UK Green Industry Development Measures

The regulation plan for ESG rating providers is part of the green industry development measures in the Spring Budget. In addition, green industry development measures include:

Increase fund for the Green Industries Growth Accelerator (GIGA): The UK plans to increase funding for GIGA by £120 million to support the development of low-carbon manufacturing and accelerate net zero. £390 million of GIGA will be invested in the offshore wind power supply chain, and another £390 million will be invested in Carbon Capture Utilization and Storage and hydrogen energy supply chain.

Announce the final parameters of the Contracts for Difference Allocation Round (AR) for renewable energy: The UK has announced the specific parameter information of AR6 and set the largest budget in history, with an amount of more than £100 million. Contracts for Difference means that the government purchases electricity from power generation companies and subsidizes them based on the difference of actual price and the contract price.

Deploy nuclear energy and Small Modular Reactor (SMR): The government has announced a £160 million nuclear energy construction project and invited bids for the SMR construction.

[14] https://www.todayesg.com/uk-plans-to-regulate-esg-ratings-providers/

ESG Regulation in America

US SEC Releases Climate-related Disclosure Rules by Public Companies[15]

Climate-related Disclosure Rules by Public Companies

The US Securities and Exchange Commission (SEC) releases climate-related disclosure rules by public companies, aiming to help investors understand the impact of public companies' climate information on financial performance and reduce investment risks.

In March 2022, the SEC launched a solicitation for opinions on climate-related disclosure and received a total of more than 24,000 responses. The final version of the rules formulated this time will provide investors with consistent, comparable, and decision-making information in the financial reports of public companies.

Current Status of Climate-related Disclosure

Climate-related information can affect the financial performance of public companies, and investors, asset managers and investment advisers are looking for the impact of this information on public company performance and assessing how well boards are monitoring climate risk. Numerous jurisdictions already require public companies to disclose climate-related information for the market to make decisions about holding, buying, or selling securities.

Before the issuance of the climate-related disclosure rules by public companies, one-third of public companies have already disclosed climate-related information, 40% of public companies have added discussions on climate-related content in their annual reports, and 20% of public companies have disclosed Scope 1 and Scope 2 greenhouse gas emissions data. Of the Russell 1000 index constituents, 90% disclose climate-related information and 60% provide GHG emissions data.

However, the current disclosure provided by public companies lacks consistent rules, so investors cannot find more detailed, accurate and comparable disclosures. Companies can disclose information under different frameworks or provide partial disclosures. These situations increase the cost for investors to obtain and analyze information, which has

[15] https://www.todayesg.com/sec-climate-related-disclosure-rules-by-public-companies/

a negative impact on investment decisions. Therefore, the SEC believes that it is necessary to propose standardized climate-related disclosure rules by public companies.

Contents of Climate-related Disclosure Rules by Public Companies

When formulating this disclosure rule, the SEC referred to the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and the advisory opinions mentioned in 24,000 responses. The SEC has also adopted protocols related to the GHG Protocol to be consistent with international standards in terms of greenhouse gas emission data. The SEC requires public companies to disclose the following information:

Climate-related risks that have or are likely to have a significant impact on the listed company's business strategy, operations, and financial performance, including short-term (within 12 months) and long-term (more than 12 months).

Climate-related risks that pose actual or potential material impacts on public companies' strategies, business models and prospects.

When public companies implement actions to mitigate climate change or adapt to climate change, quantitative and qualitative descriptions of the significant expenditures related to these actions and the significant impact on financial performance.

When public companies implement a transition plan to reduce transition risks, a description of the transition plan, issues that need to be disclosed in the next few years and how these actions will affect the listed company's business model, operations, and financial performance.

When public companies implement scenario analysis, climate risks that have a material impact on the company's business model, operations and financial performance and related disclosures in the scenario analysis.

When a public company uses an internal carbon price to measure material climate risk, information about that internal carbon price.

Public company board oversight of climate risk and management's actions in assessing and managing climate risk.

Public companies' processes for identifying, measuring, and managing material climate risks and how these processes are integrated into whole risk management systems.

When public companies set climate-related targets, information about the targets and the material impact the targets will have on their business models, operations, and financial performance.

When the listed company belongs to Large Accelerated Filer (LAF) or Accelerate Filer (AF), material Scope 1 and Scope 2 greenhouse gas emission data, as well as subsequent attestation report.

Capitalized costs, expenses, expenses, and losses incurred when extreme weather events occur.

Capitalized costs and expenses incurred from the use of carbon offsets and sustainable energy credits to achieve the public company's climate goals.

A qualitative description of the impact of extreme weather on the assumptions and estimates used by public companies in preparing financial reports.

The SEC plans to implement climate-related disclosure rules by public companies in phases. Different types of companies have different implementation times. For example, LAFs' compliance documents and Scope 1 and Scope 2 data will begin to be disclosed in fiscal year 2023 (released in 2024), and Scope 3 Data will begin to be disclosed in fiscal year 2024 (released in 2025). The time for AFs and NAFs is delayed by one year compared to LAFs, while the time for Smaller Reporting Companies (SRCs) will be delayed by two years and will be exempted from Scope 3 data disclosure.

ESG Regulation in Asia

Hong Kong Releases Sustainable Finance Development Measures[16]

Hong Kong Sustainable Finance Development Plan

Hong Kong Green and Sustainable Finance Cross-Agency Steering Group (CASG) releases sustainable finance development measures to seize the investment opportunities brought about by the low-carbon transition and consolidate Hong Kong's role as a global sustainable finance center.

CASG released Hong Kong's sustainable finance work plan in August last year, planning to establish a sustainable finance roadmap and a green financial technology blueprint to strengthen the financial industry's ability to respond to climate risks.

Hong Kong Sustainable Finance Development Measures

CASG proposes three measures this time, namely:

Adopt the sustainable disclosure standards of International Financial Reporting Standards (IFRS). IFRS proposed sustainable disclosure standards IFRS S1 and IFRS S2 last year, and various jurisdictions are developing disclosure standards based on this international standard. CASG requires Hong Kong's Financial Services and the Treasury Bureau (FSTB) and Hong Kong Securities and Futures Commission (SFC) to establish a new working group to communicate with financial industry stakeholders and report the adoption progress to CASG.

Strengthen the application of green financial technology in sustainable reporting and analysis. CASG will launch an electronic climate and environmental risk questionnaire suitable for non-listed companies on its website, as well as a greenhouse gas emissions calculation tool. These measures can strengthen the application of green financial technology in the sustainable financial market.

Support the development of transitional finance. CASG regards transitional finance as a key work this year and plans to incorporate it into policy formulation, such as including transitional economic activities in the taxonomy, strengthening transitional finance training.

[16] https://www.todayesg.com/hk-sustainable-finance-development-measures/

CASG states that it will ensure Hong Kong's interoperability and consistency with the world in sustainable finance and cooperate with local and international institutions in terms of data, talents, and technology to accelerate the development of green finance.

Singapore Introduces Mandatory Climate Disclosures[17]

Mandatory Climate Disclosures

The Accounting and Corporate Regulatory Authority (ACRA) and the Singapore Exchange Regulation (SGX RegCo) plan to introduce mandatory climate disclosures to help companies complete their green transition.

The mandatory climate disclosures come from the previous recommendations under the Singapore Sustainability Reporting Advisory Committee (SRAC). SRAC hopes to reduce compliance costs and promote sustainable financial markets through climate disclosures.

Requirements for Mandatory Climate Disclosures

ACRA and SGX RegCo improve the recommendations provided by SRAC and decide to implement phased mandatory climate disclosure requirements:

1. Starting from 2025FY, all listed companies must submit climate-related disclosures (CRD), and their reporting format must comply with the standards of the International Sustainability Standards Board (ISSB). The specific contents of the CRD needs to include Scope 1 and Scope 2 greenhouse gas emissions. Starting from 2027FY, all large unlisted companies with annual revenue of more than US$1 billion and total assets of more than US$500 million will also need to disclose in accordance with ISSB standards.

2. Starting from 2026FY, all listed companies will need to submit Scope 3 greenhouse gas emissions in CRD. The reporting time for large unlisted companies will be determined by ACRA after review, but not earlier than 2029FY.

3. Starting from 2027FY, all listed company issuers are required to provide external assurance for Scope 1 and Scope 2 greenhouse gas emission data, and eligible large unlisted companies are required to provide external assurance starting from 2029FY. External assurance needs to be provided by a registered climate auditor and meet ACRA requirements.

[17] https://www.todayesg.com/singapore-introduces-mandatory-climate-disclosures/

New mandatory climate disclosures will be published alongside companies' financial reports, with exemptions available for some large unlisted companies, such as those whose parent companies already use ISSB standards or other global standards in disclosures.

Singapore Economic Development Board Launches Sustainable Development Measures[18]

Sustainable Development Measures

The Singapore Economic Development Board (EDB) has launched a series of sustainable development measures aimed at helping enterprises in low carbon transition and sustainable development.

EDB believes that companies need to adapt to the growing demand from investors and consumers for green products and services and implement net zero programs to gain an advantage in the sustainable transition. Therefore, the government needs to increase support for enterprises, including financing support and talent cultivation.

Modify Enterprise Financing Scheme

As part of its sustainable development measures, Enterprise Singapore plans to extend the Enterprise Financing Scheme-Green for two years. Launched in October 2021, the Enterprise Financing Scheme-Green aims to provide financing opportunities to companies developing green technologies and green solutions. This program provides companies with 70% risk sharing so that financial institutions can provide loans to them. This plan was originally set to end in March 2024, and this extension will provide more opportunities for green start-ups.

In addition to extending the Enterprise Financing Scheme, the scope will also be expanded from green solutions to the Green or Amber economic activities defined in the Singapore-Asia Taxonomy for Sustainable Finance. Including Amber economic activities will help enterprises that works for transition.

Establish Sustainability Reporting Grant

As climate-related information disclosure is included as part of mandatory disclosure by Monetary of Singapore, the Singapore Economic Development Board and Enterprise Singapore plan to establish a sustainability reporting grant to provide financial support to large

[18] https://www.todayesg.com/singapore-sustainable-development-measures-en/

companies with annual revenue of more than US$100 million to reduce their costs of producing sustainability reports. The upper limit of this funding is 30% of the cost of a company's sustainability report cost and will not exceed S$150,000.

In addition to providing subsidies for large companies, Enterprise Singapore will also launch a program with sustainable services providers to help SMEs produce sustainability reports (although sustainability disclosure for SMEs is currently not mandatory). The new scheme will run for three years and cover 70% of reporting costs for SMEs in the first year and 50% in the subsequent two years.

Strengthen Green Talent Training

To support the transition of a low-carbon and sustainable economy, the Singapore Economic Development Board has established a Green Skills Committee to develop training programs for green talents. Enterprise Singapore plans to partner with sustainable service providers to provide internship opportunities for students and early professionals to expand the green talent pool.

The Singapore Economic Development Board also plans to leverage Singapore's advantages in commodity trading and finance to build regional carbon service capabilities. The Singapore Economic Development Board and Enterprise Singapore are working with the National University of Singapore and Nanyang Technological University to develop corresponding training programs, which will be announced by the Institutes of Higher Learning this year.

Optimize Resource Efficiency Emissions Grants and Energy Efficiency Grants

The Resource Efficiency Grant for Emissions is designed to provide financial support for projects by industrial companies to improve energy efficiency and reduce carbon emissions. The Economic Development Board is planning to lower the carbon emission reduction threshold from 500 tons per year to 250 tons per year and extend the grant scheme beyond March 2024. These measures can enable more industrial enterprises to receive subsidies.

The Energy Efficiency Grant aims to provide financial support for companies to improve energy efficiency. It is initially launched in 2022 and is targeted at the food industry and retail industry. Economic Development Board is expanding the scope of subsidies to more industries to provide additional support to companies implementing emission reduction plans.

About Website

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