TodayESG

2024Q2 Global ESG Regulation

About Website

Established in 2021, TodayESG (todayesg.com) focus on providing professional information about ESG regulations, knowledge, research and products.

As a comprehensive website, TodayESG has received numerous citations and has been invited to publicize regional ESG summits.

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Global ESG Regulation Development

IFRS and EFRAG Releases Interoperability Guidance on Sustainable Disclosure Standards[1]

Interoperability Guidance on Sustainable Disclosure Standards

The International Financial Reporting Standards Foundation (IFRS) and the European Financial Reporting Advisory Group (EFRAG) releases Interoperability Guidance on sustainable disclosure standards, aiming to strengthen consistency between the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) standards.

As various jurisdictions around the world begin to formulate sustainable disclosure standards based on IFRS S1 and IFRS S2, how to improve the transparency of information disclosure and enhance the interoperability between them is the focus of regulatory agencies. The ISSB has released the IFRS Sustainability Disclosure Taxonomy to provide a consistent template for sustainable information disclosure in different jurisdictions.

Introduction to Interoperability Guidance on Sustainable Disclosure Standards

The Interoperability Guidance on sustainable disclosure standards provides companies with an approach on how to comply with the ISSB Standards if they meet the ESRS, and how to comply with the ESRS if they meet ISSB Standards. The guidance is divided into four parts. The first part explains how the ISSB standards and ESRS can achieve interoperability in sustainable disclosures in general. Parts 2, 3 and 4 explain how the ISSB standards and ESRS can achieve interoperability in sustainable disclosures beyond climate.

In terms of determining the sustainable information disclosures, the guidance suggests that if a company wants to meet two sustainability standards at the same time, it needs to consider the materiality requirements of both standards. The definition of materiality in the ISSB standard is that if the omission, misstatement or concealment of this information can be expected to affect the decision-making of users of financial reports, then this information is material. The definition of materiality in ESRS is

[1] https://www.todayesg.com/ifrs-and-efrag-releases-interoperability-guidance/

consistent with it. Therefore, the material information disclosed by the company in ISSB standards also needs to be disclosed in ESRS, and the material information disclosed in ESRS also needs to be disclosed in ISSB standards.

For information disclosure other than climate, the ISSB standard only requires disclosure of sustainability-related risks and opportunities in IFRS S1 if they are expected to affect the company's prospects. IFRS S1 also provides two information disclosure reference standards, one is the Global Reporting Initiative Standards, and the other is ESRS. Therefore, in order to satisfy both the ISSB standards and the ESRS, a company needs to comply with the nine topics specified by the ESRS.

The nine disclosure topics of ESRS include ESRS E2 Pollution, ESRS E3 Water and marine resources, ESRS E4 Biodiversity and ecosystems, ESRS E5 Resource use and circular economy, ESRS S1 Own workforce, ESRS S2 Workers in the value chain, ESRS S3 Affected communities, ESRS S4 Consumer and end-suers and ESRS G5 Business Conduct.

Regarding climate information disclosure, the guidance believes that ISSB standards and ESRS are highly consistent, and both are based on the pillars (governance, strategy, risk management and metrics and targets) set by the Task Force on Climate-related Financial Disclosures (TCFD). The guidance provides a comparison table between IFRS S2 and ESRS E1. Almost all climate-related disclosure items in the ISSB standards can be found in ESRS E1. The guidance also lists some items that need to be disclosed in ESRS but are not covered in IFRS S2.

Although the ISSB standard and ESRS are highly consistent, there are still differences between the two in specific practice. For example, IFRS S2 requires companies to use climate scenario analysis and requires disclosure of whether multiple scenarios are covered and whether these scenarios are consistent with the latest international climate change agreements. ESRS E1 requires companies to use at least one scenario that is consistent with the Paris Agreement. Therefore, if companies want to comply with ESRS while complying with ISSB standards, they need to consider at least one scenario consistent with the Paris Agreement in their climate scenario analysis.

IFRS and GRI Announce Enhanced Cooperation on Sustainable Disclosure Interoperability[2]

IFRS and GRI Sustainable Disclosure Interoperability

The International Financial Reporting Standards Foundation (IFRS) and the Global Reporting Initiative (GRI) announces enhanced cooperation on sustainable disclosure interoperability, aiming to provide stakeholders with a comprehensive and consistent sustainable reporting system.

IFRS previously issued guidance on sustainable disclosure standards interoperability with the European Financial Reporting Advisory Group to strengthen the consistency of the European Sustainability Reporting Standards (ESRS) and the International Sustainability Standards Board (ISSB) sustainable disclosure standards.

Enhanced Cooperation on Sustainable Disclosure Interoperability

In March 2022, IFRS and GRI signed a memorandum of understanding emphasizing the importance of compatibility and relevance of the two parties' standards and plans to reduce complexity in sustainable development disclosure. This cooperation will optimize the use of GRI and ISSB standards and strengthen companies' reporting capabilities on sustainable risks and opportunities. IFRS and GRI plan to adjust the scope and information requirements of their respective standards, and use the biodiversity sustainability disclosure standard as a pilot to strengthen the interoperability between the GRI101 biodiversity standard and the ISSB's upcoming biodiversity standards.

Last November, IFRS and GRI jointly established the Sustainability Innovation Lab (SIL) to cultivate companies' sustainable development capabilities and promote sustainable information disclosure. In January this year, IFRS and GRI released a greenhouse gas disclosure interoperability document to standardize greenhouse gas information disclosure based on different standards. IFRS will continue to meet investors' needs for corporate sustainability disclosure, and GRI will continue to meet investors and other stakeholders' needs for measuring corporate economic, environmental and social impacts. The two parties

[2] https://www.todayesg.com/ifrs-gri-sustainable-disclosure-interoperability/

will launch a public consultation on proposed amendments to their respective standards.

ISSB Releases IFRS Sustainability Disclosure Taxonomy[3]

IFRS Sustainability Disclosure Taxonomy

The International Sustainability Standards Board (ISSB) releases the IFRS Sustainability Disclosure Taxonomy to help investors effectively analyze and compare sustainable disclosures.

The IFRS Sustainability Disclosure Taxonomy is based on the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) and Climate-related Sustainability Disclosure Standards (IFRS S2) launched by the ISSB last year. The taxonomy will be consistent with the IFRS Accounting Taxonomy for companies to use in sustainable information disclosures.

Introduction to IFRS Sustainability Disclosure Taxonomy

The IFRS Sustainability Disclosure Taxonomy can help companies and investors communicate. Companies can use the taxonomy to mark sustainable disclosure information in to provide investors with comprehensive digital financial reports, making it easier for investors to digitally search, extract and compare sustainable disclosure information from different companies.

The IFRS Sustainability Disclosure Taxonomy uses eXtensible Business Reporting Language (XBRL). XBRL is an information exchange standard used between financial report preparers and users. The IFRS Sustainability Disclosure Taxonomy consists of a set of electronic XBRL files. The company fills in the sustainable disclosure information into the corresponding location of the file, and the computer can read it for relevant stakeholders who are interested about them.

To facilitate the market's understanding and application, the ISSB provides a detailed taxonomy demonstration with three columns. The first column is Hierarchy, which represents the groups of different elements of the taxonomy and the disclosure points within each group. The second column is Disclosure Format, which is the text, date, currency, percentage and other information filled in by the company. The third column is the IFRS

[3] https://www.todayesg.com/issb-ifrs-sustainability-disclosure-taxonomy/

Sustainability Disclosure Standard Reference, which provides the location of disclosure points in IFRS S1 and IFRS S2.

XBRL has been used in companies to communicate with audit departments, regulators and investors. It can help stakeholders quickly and accurately locate the company's financial information. ISSB believes that as many jurisdictions around the world are considering adopting ISSB standards, Sustainability Disclosure Taxonomy can improve market efficiency and help investors to compare information between different jurisdictions. In the future, ISSB will continue to take measures to improve the interoperability of the Sustainability Disclosure Taxonomy with other taxonomies.

Bank for International Settlements Releases a Report on Climate Risk Platform for Financial Authorities[4]

Climate Risk Platform for Financial Authorities

The Bank for International Settlements (BIS) releases a report on the climate risk platform for financial authorities, aiming to introduce the development of Project Viridis and help regulatory agencies identify, monitor, and manage climate risks in the financial system.

The relationship between climate change and financial risks is well-known to global financial authorities. In the absence of consistent and standardized climate data, how to use existing information to handle climate related financial risks is an important. Therefore, the Bank for International Settlements and the Monetary Authority of Singapore have jointly developed the climate risk platform Project Viridis, which can systematically track climate data and indicators, thereby strengthening the ability to assess climate physical risks and climate transition risks.

Challenges of Climate Risk Management for Financial Authorities

When financial institutions engage in climate sensitive businesses, they are inevitably affected by climate change. The Bank for International Settlements believes that climate change may generate financial risks through both microeconomic and macroeconomic channels. The microeconomic channel refers to the impact of climate change on the trading counterparties of financial institutions, which in turn leads to an increase in potential losses for banks. The macroeconomic channel refers to the impact of climate change on commodities, interest rates, and exchange rate factors, ultimately affecting economic growth. The important responsibility of financial authorities is to ensure the stable operation of financial institutions and maintain the stability of the financial system. Therefore, climate change needs to be included in regulations.

The Network for Greening the Financial System suggests that financial authorities understand the ways in which climate risks are transmitted to the financial system and calculate the climate risk exposures faced by

[4] https://www.todayesg.com/climate-risk-platform-for-financial-authorities/

financial institutions. The Financial Stability Board recommends that financial authorities include climate risk in their risk assessment frameworks and identify, define, and collect key data and indicators. The Basel Committee on Banking Supervision believes that financial authorities need to identify significant climate risk drivers and their transmission channels, calculate climate risk exposure, and convert climate risk into quantifiable financial risk indicators.

Although global financial authorities are actively considering climate risk management, climate risk still poses significant challenges to regulatory systems. Firstly, there is a lack of a robust climate risk analysis framework globally, and existing frameworks are directly related to model assumptions, methods, etc. This leads to significant differences in the assessment of climate risk by financial authorities. The current attitude of regulatory agencies towards climate risk will also affect the development of future climate risks. Secondly, the quantity and quality of data reflecting climate physical risks and climate transition risks are insufficient, resulting in their inability to be used in climate models. For example, scenario analysis of industry transition paths is usually based on developed economies, and these scenarios are not applicable to emerging market economies.

Introduction to the Climate Risk Platform for Financial Authorities

The climate risk platform Project Viridis focuses on how to assess the climate risks faced by the financial system in the absence of limited climate data and limited consensus on assessment methods. The Bank for International Settlements invites financial authorities, industry and academic experts to discuss to determine the priority of climate risk assessment indicators. It shows that regulatory authorities are most eager to understand the carbon footprint of financial institutions' investment portfolios, the physical risks of assets held in investment portfolios, industry level decarbonization targets, and standardized risk exposures.

Project Viridis divides its climate risk solutions into five parts, namely:

Transition risks: describe the carbon emission data and transition path of investment.

Physical risks: measure the sensitivity of the financial industry to physical risks.

Asset and economic data: cover the location, characteristics, supply chain and value chain information of assets.

Systemic macro views: include the measurement of risk concentration in financial institutions and the handling of duplicate values.

Basic user features: equip with interactive explorations and data standardization functions.

The Bank for International Settlements believes that there is a connection between the above five parts, and due to limited data availability, some indicators still need to be modeled using proxy variables. As time goes by, the standards, methods, and technologies for climate risk measures will continue to develop, and Project Viridis will improve with the participation of stakeholders.

International Capital Market Association Releases Recommendations on EU Green Bond Regulations[5]

Recommendations on EU Green Bond Regulations

The International Capital Market Association (ICMA) releases a response document aimed at providing recommendations on EU green bond regulations.

The European Securities and Markets Authority (ESMA) released a consultation document on EU green bonds in the first quarter of this year, collecting opinions from market participants on the Regulation on European Green Bonds (EuGB Regulation), and plans to submit the recommendations to EU by the end of this year.

ESMA's Consultation on EuGB Regulation

The European Securities and Markets Authority has released Regulatory Technical Standards (RTS) and Implementing Technical Standards (ITS) related to the EU's green bond regulations. The Regulatory Technical Standards have four parts, while the Implementing Technical Standards have one part:

Regulatory Technical Standard 1: Senior Management and Analytical Resources.

Regulatory Technical Standard 2: Sound and Prudent Management and Conflicts of Interest.

Regulatory Technical Standard 3: Knowledge and Experience of Analysts.

Regulatory Technical Standard 4: Outsourcing of Assessment Activities.

Implementing Technical Standard 1: Forms), Templates and Procedures for Registration.

All regulatory and implementation technical standards are aimed at external reviewers of green bonds. These standards require external

[5] https://www.todayesg.com/icma-recommendations-on-eu-green-bond-regulation/

reviewers to have necessary governance mechanisms and professional talents to provide external audit opinions on green bonds.

ICMA’s Recommendations on EuGB Regulation

As an important player in the global sustainable bond market, the Green, Social, Sustainability, and Sustainability linked Bond Principles released by the International Capital Markets Association have been applied to 97% of newly issued bonds. ICMA also released a report providing guidance for external reviewers. ICMA’s recommendations on ESMA’s consultation documents as follows:

1. Regulatory technical standards should be simplified to reduce the workload of external reviewers. The International Capital Market Association believes that the consultation document requires each external reviewer to provide a large number of contents such as senior management governance structure, internal control, employee experience and outsourcing framework. These contents may impose a significant burden on external reviewers, and some small-sized external reviewer may not afford the time and money preparing these document. Therefore, regulatory technical standards may need to be adjusted to ensure fair competition among different types of external reviewers.

2. The EU's green bond regulatory policy needs to be consistent with the EU's ESG rating regulation. Due to the fact that many external reviewers also provide the issuer's ESG rating while reviewing green bonds, the same entity may need to comply with both green bond and ESG rating regulations. The International Capital Market Association suggests that two types of regulatory policies can maintain the same governance requirements and avoid conflicts between them.

3. Clarify the outsourcing rules for evaluation activities. The regulatory technical standards mention that external reviewers can outsource audit work to third-party institutions, but they need to confirm that these institutions can provide objective and professional opinions. The International Capital Market Association believes that when the parent, subsidiary, and affiliated companies of external reviewers act as third-party institutions, they should not be considered as outsourcing, and should not be subject to outsourcing rules.

4. Add the requirement for analysts to master the EU Taxonomy. As an important part of the EU's sustainable regulations, the EU Taxonomy can

evaluate whether the economic activities of bond issuers meet sustainability standards and it can provide assistance for external reviewing of green bonds. The International Capital Market Association believes that analysts should have a certain level of mastery of the EU Taxonomy through self-declaration. ESMA may gradually increase the requirements for analyst experience in the future.

Principles for Responsible Investment Releases a Statement Calling on Jurisdictions to Adopt ISSB Standards[6]

PRI Statement

The United Nations Principles for Responsible Investment (PRI) releases a statement calling on jurisdictions around the world to adopt ISSB standards.

The statement is jointly issued by PRI, London Stock Exchange Group (LSEG), United Nations Sustainable Stock Exchanges initiative (UN SSE), and World Business Council for Sustainable Development (WBCSD). It is signed by 120 investors, companies, industry associations and stock exchanges.

Background of PRI Statement

PRI believes that the global net-zero transition requires efficient allocation of funds and management of sustainable risks and opportunities, and how to obtain sustainable data is crucial. Good sustainable data can serve companies, investors and financial institutions, and improve the transparency and credibility of information disclosure.

Although the importance of sustainable data is well known to the market, 40% of the world's 4,000 large listed companies still do not disclose carbon emissions data. The International Sustainability Standards Board (ISSB) has established a global benchmark for sustainable information disclosure for the market to improve data consistency. IFRS S1 and IFRS S2 developed by ISSB are based on the framework of the Task Force on Climate-related Financial Disclosures (TCFD) and have been recognized by the International Organization of Securities Commission (IOSCO).

Contents of PRI Statement

The United Nations Principles for Responsible Investment calls on jurisdictions around the world to commit to fully adopting ISSB standards

[6] https://www.todayesg.com/principles-for-responsible-investment-statement/

by 2025 in order to reduce the burden of corporate disclosure and provide stakeholders with consistent sustainable information. Jurisdictions can consider the following principles when formulating sustainable information disclosure requirements:

International Coordination: ISSB is already working with jurisdictions to ensure that sustainable information disclosure is interoperable. The United Nations Principles for Responsible Investment recommends that regulators in various jurisdictions strengthen communication with the ISSB and focus on key climate standards such as transition plans.

Economy-wide Scope: Both listed and unlisted companies should comply with a set of sustainable information disclosure standards, which can be classified according to the size of the company rather than how they obtain funding. The United Nations Principles for Responsible Investment recommends that each jurisdiction establish a clear coverage of the ISSB guidelines to ensure consistency across the economy and accelerate decarbonization.

Timely Implementation: In recent years, investors have been calling for a globally consistent standardized information disclosure framework to help financial markets take action. The world is currently behind schedule in achieving the goals of the Paris Agreement and other sustainable development goals, so regulators need to act quickly to remove market barriers. The United Nations Principles for Responsible Investment recommends that policies in various jurisdictions be implemented no later than 2025.

Global Reporting Initiative Releases Briefings on Corporate Sustainability Reporting Directive[7]

Briefings on Corporate Sustainability Reporting Directive

The Global Reporting Initiative (GRI) releases briefings on Corporate Sustainability Reporting Directive (CSRD) to introduce the core contents of CSRD to market participants.

The Corporate Sustainability Reporting Directive is the cornerstone of the European Green Deal, which establishes clear and consistent sustainability reporting standards for EU companies. These briefings summarize the key aspects of the CSRD and enhance the market's understandings.

Relationship between NFRD and CSRD

The Corporate Sustainability Reporting Directive comes from the EU Non-Financial Reporting Directive (NFRD). The Non-Financial Reporting Directive is a regulatory framework that aims to increase the transparency of non-financial information of large EU companies. It encourages companies to consider environmental, social and governance factors in their business and disclose relevant information. NFRD comes into effect in November 2014 and affects approximately 11,000 companies. Although the Non-Financial Reporting Directive is an important milestone in the EU's sustainable information disclosure, it does not force qualified companies to disclose information, nor does it impose strict audit requirements on the disclosed information of companies.

As a replacement for the Non-Financial Reporting Directive, the Corporate Sustainability Reporting Directive (CSRD) has made stricter provisions in terms of scope of application and disclosure requirements. The CSRD directly applies to more than 42,500 companies, and thousands of companies headquartered outside the EU also be impacted. In terms of information disclosure, the CSRD requires qualified companies to disclose environmental, social and governance topics specified in the European Sustainability Reporting Standards (ESRS) and requires companies to provide limited assurances to their reports. In terms of information disclosure format, the CSRD has added the European Single Electronic

[7] https://www.todayesg.com/gri-briefings-on-corporate-sustainability-reporting-directive/

Format based on XBRL technology to increase the machine readability of the report and help with information comparison.

Relationship between ESRS and CSRD

The European Sustainability Reporting Standards (ESRS) is a standardized method used by companies to disclose information based on the CSRD, providing companies with instructions for complying with the CSRD. ESRS is divided into three categories, namely cross-cutting standards, topical standards, and sector-specific standards. Cross-cutting standards are ESRS 1 and ESRS 2, which are general requirements for corporate sustainable information disclosure. Regardless of the industry to which the company belongs, it is required to comply with these standards for mandatory disclosure.

There are 10 topical standards in ESRS, which reflect the sustainable information disclosure of environment, society, and governance factors. For these topical standards, companies need to assess whether the environmental, social and governance factors in their business activities are material. The sector-specific standards of ESRS will disclose information based on the sustainable risks and opportunities of the industry in which the company is located and will be applicable from 2027.

In addition to the ESRS (also known as full ESRS) that has been formulated, the sustainable information disclosure standards for listed SMEs are still being formulated. CSRD requires that the sustainable information disclosure standards for these SMEs should be relatively simple, considering the business scale and information disclosure capabilities of these companies. The sustainable information disclosure standard for listed SMEs will be applicable from 2026, while non-listed SMEs can use it as a standard for voluntary disclosure. At present, CSRD does not include non-listed SMEs in its regulatory scope, nor does it force them to disclose any sustainable information.

CSRD includes some third-country companies in its regulatory scope, which are listed on the EU securities market or whose direct turnover in the EU meets regulatory requirements (turnover in the EU exceeds 150 million euros, and turnover of EU subsidiaries exceeds 40 million euros). CSRD requires these companies to apply ESRS for information disclosure or use the sustainable information disclosure rules in their jurisdictions. CSRD requires that the sustainable information disclosure rules of third countries need to be reviewed by the European Commission and will be deemed equivalent to ESRS if approved. The EU will publish a list of third-country companies that have already made sustainable information disclosures on its website.

ESG Regulation in Europe

EU Establishes the First Net Zero Academy[8]

First Net Zero Academy

EU announces the establishment of its first net zero academy, aimed at cultivating professional workforce for the net zero industrial value chain. The first net zero academy will focus on the photovoltaic industry and plan to invest 9 million EUR.

The EU proposes to reduce greenhouse gas emissions by 90% (based on 1990) in its 2040 climate target, and in order to achieve this goal, the EU needs to use renewable energy technologies for decarbonization. Photovoltaics, as an important renewable energy source, have received attention from policy makers in both the European Green Deal and REPowerEU.

Background of Net Zero Academy

The European Renewable Energy Directive plans to achieve a renewable energy share of 43.5% by 2030. As part of the REPowerEU program, the EU released the EU Solar Energy Strategy in May 2022, with plans to achieve over 320 GW of solar photovoltaic capacity by 2025 and 600 GW by 2030.

To promote the development of net zero technology and clean energy transition in Europe, the EU has launched the Net Zero Industry Act, aimed at creating better conditions for net zero projects and attracting investment. The EU plans to achieve an overall technological manufacturing capacity of 40% of market demand by 2030 and establish a net zero academy to cultivate skilled labor.

Introduction to Net Zero Academy

The first net zero academy in the European Union is established based on the Net Zero Industry Act, and its name is the European Solar Academy. The EU expects that Europe will need approximately 66000 photovoltaic industry technicians by 2030. The European Solar Academy plans to train

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[8] https://www.todayesg.com/eu-establishes-first-net-zero-academy/

100000 workers in the photovoltaic industry over the next three years to fill the current gap.

The European Solar Academy is established by the European Institute for Innovation and Technology. It will adopt the model of the European Battery Academy launched by the European Union in 2022. The academy will sign course contracts with vocational education and training institutions, enterprises, and universities. After the training is completed, the Net Zero Academy will issue certificates to prove that labors are qualified.

EU Council Officially Approves Nature Restoration Law[9]

EU Nature Restoration Law

The Council of the European Union officially approves Nature Restoration Law, aiming to provide legal protection for the restoration of ecosystems in EU.

The Nature Restoration Law is the first comprehensive law in the European Union related to biodiversity and ecosystems and is also a key element in achieving the European Green Deal and the EU Biodiversity Strategy. The Nature Restoration Law was initially proposed by the European Commission in 2022 and reached a provisional agreement between the European Parliament and the Council in November 2023. In February of this year, the European Parliament officially passed the EU Nature Restoration Law, and the action by European Council is essential.

Nature and Ecosystem Status of the EU

In 1979, the European Union initiated actions to protect nature and biodiversity through the Birds Directive, covering over 2000 species in the EU region. The assessment report released by the European Environment Agency in 2020 showed that the EU ecosystem is being affected by issues such as pollution, climate change, habitat loss, and invasive species. Currently, only 15% of the habitats in the EU are in good condition, 70% of the soil is in an unhealthy state, and 10% of bees and butterflies are at risk of species extinction.

Protecting nature and ecosystems is crucial for economic and social development. As the foundation of the world economy, over 50% of global GDP relies on materials and services provided by ecosystems. For example, as an indicator of biodiversity in Europe, the Grassland Butterfly Index has been rapidly declining since 2010, reflecting the continued negative impact on ecosystems. Insect pollination directly affects nearly 5 billion EUR in annual agricultural output in the EU, however, over 30% of grassland butterflies have disappeared since 1991. In addition, as another important pollinator, farmland birds has seen its number decreased by 36% since 1990.

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[9] https://www.todayesg.com/eu-council-approves-nature-restoration-law/

Contents of the EU's Nature Restoration Law

The EU Nature Restoration Law aims to set a binding goal at the EU level to require member states to take effective measures to restore and protect the EU ecosystem. The EU Natural Restoration Act requires the restoration of at least 20% of terrestrial and marine ecosystems by 2030, and the restoration of all ecosystems by 2050.

The EU's Nature Restoration Law involves six aspects, including:

Degraded land and sea habitats: By 2030, the EU will restore at least 30% of its habitats, and cover 60% by 2040, and cover 90% by 2050. Habitats includes terrestrial, marine, freshwater ecosystems, etc.

Pollinators: By 2030, the EU will reverse the decline in pollination vectors and increase the number of these populations. Pollinators include butterflies, bees, moths, etc.

Agricultural ecosystems: By 2030, the EU will restore 30% of dry peatlands, and this number will reach 50% by 2050. In addition, the EU will increase the carbon storage of mineral soils and enhance the high diversity landscape features of agricultural land.

Urban areas: By 2030, the EU plans to maintain the total amount of urban green space and increase tree coverage in cities, towns, and suburbs.

Rivers and floodplains: By 2030, the number of freely flowing rivers within the European Union will reach 25000 kilometers, in order to improve water conditions and ensure the continuity of the river network.
Forests: By 2030, the EU will plant 3 billion trees and regularly monitor the number of deadwood and birds to enhance the biodiversity of forests.

The Nature Restoration Law will be published in EU Official Journal and take effect once published. EU member states are required to develop National Restoration Plans, which will include legally meaningful restoration measures and mark the total area and schedule of planned restoration. EU member states also need to monitor and report on their progress in action based on EU’s biodiversity indicators.

EU Signs Off on New Heavy-duty Vehicles Carbon Emission Standards[10]

Heavy-duty Vehicles Carbon Emission Standards

The European Council, the EU's highest decision-making body, signs new heavy-duty vehicles carbon emission standards, aiming to revise and strengthen the heavy-duty vehicle carbon emission standards announced in 2019 and introduce new emission targets.

The EU believes that lorries, buses and coaches account for 25% of the EU's total road transport carbon emissions and 6% of the EU's total greenhouse gas emissions. To combat climate change, these heavy-duty vehicles need to reduce CO2 emissions to help the EU achieve its 2050 climate neutrality target.

Existing Heavy-duty Vehicles Carbon Emission Standards

Before the release of the new carbon emission standards for heavy-duty vehicles, the European Union formulated similar standards in August 2019. This standard uses July 2019 to June 2020 as the reference standard, requiring heavy-duty vehicles to reduce carbon emissions by 15% relative to the reference standard in 2025, and to reduce carbon emissions by 30% relative to the reference standard in 2030. Existing carbon emissions standards first cover large lorries, which account for 73% of total heavy-duty vehicles emissions.

In 2023, the European Commission proposed to revise the existing carbon emission standards for heavy-duty vehicles and introduce more stringent carbon emission requirements. The European Commission believes that the existing 2025 carbon emissions target can be achieved through existing technical means and has assessed the 2030 carbon emissions target. In addition, the European Commission plans to expand the applicable vehicle types of the standard to smaller trucks, city buses, long-distance buses, and trailers to accelerate the net-zero process.

[10] https://www.todayesg.com/eu-heavy-duty-vehicles-carbon-emission-standard/

Revised Heavy-duty Vehicles Carbon Emission Standards

The heavy-duty vehicles carbon emission standards adopted by the European Council this time are more stringent than previous standards and stipulate new carbon emission targets. The revised carbon emission standards for heavy-duty vehicles require a 45% reduction in carbon emissions relative to the reference standards in 2030, a 65% reduction in carbon emissions relative to the reference standards in 2035, and a 90% reduction in carbon emissions relative to the reference standards in 2040. In addition, the revised standards require all city buses to reduce carbon emissions by 90% in 2030 and achieve zero emissions in 2035. This standard does not apply to inter-urban buses.

The European Council believes that revised carbon emission standards for heavy-duty vehicles will reduce air pollutant levels, reduce fuel expenditure costs, reduce the EU's dependence on fossil fuels and improve the efficiency of the transport sector. In addition, zero- and low-emission vehicles can promote the application of low-carbon technologies and help the EU achieve its 2050 climate neutrality goal.

The revised carbon emission standards for heavy-duty vehicles will be published in Official Journal of the EU and will take effect 20 days after publication. The EU plans to review the effectiveness and impact of carbon emissions standards in 2027. In addition, the EU will develop a common method to assess and report life cycle CO2 emissions data for new heavy-duty vehicles.

EU Announces Largest Ocean Governance Commitments[11]

Ocean Governance Commitments

The EU announces 40 ocean governance commitments at the 9th Our Ocean Conference and is expected to invest €3.5 billion to achieve the largest ocean governance in history.

Our Ocean Conference aims to promote global ocean protection and sustainable development actions. This year's conference topic is to support a safe, secure, clean, healthy and sustainably managed ocean. The conference covered topics such as sustainable fisheries, marine protected areas, oceans and climate change, sustainable blue economy, marine pollution and maritime security. Since 2014, the Ocean Conference has launched more than 2,160 commitments with a cumulative value of €130 billion.

EU's Commitments of Our Ocean Conference

The EU plans to provide €3.5 billion to invest in the following areas:

Sustainable fisheries: The EU will provide €1.9 billion through the Recovery and Resilience Facility to support investments in sustainable fisheries and aquaculture. It will provide €23.5 million from 2024 to 2025 to support fisheries management organizations and fisheries agencies. The EU will also provide €1.5 million to support the Port State Measures Agreement and combat illegal fishing.

Marine protected areas: The EU will provide €1.36 million to support the Marine Biodiversity of areas Beyond National Jurisdiction Agreement and €24 million to protect marine biodiversity and marine ecosystems.

Ocean and climate change: The EU will provide €103 million for the ocean observation program to improve ocean models for climate predictions.

Sustainable blue economies: The EU will provide €130 million through the Recovery and Resilience Facility to support two sustainable blue economy

[11] https://www.todayesg.com/eu-announces-largest-ocean-governance-commitments/

investments in Italy and Portugal. The EU will also provide €134 million to help African countries develop sustainable blue economy.

Marine pollution: The EU will provide €980 million through the Recovery and Resilience Facility to support marine pollution control plans in Greece, Spain, Italy, Cyprus and Finland.

Maritime security: The EU will provide €45 million to strengthen maritime security.

Support to the Mediterranean: The EU and Sweden will provide €7.5 million to support the Blue Mediterranean Partnership and develop the blue economy. The EU will also provide €2 million to support environmental projects under the Barcelona Convention.

Ocean Research: The EU will provide €92.3 million to support EU Mission Restore our Ocean and Waters.

TNFD and EFRAG Publishes Correspondence Mapping for Sustainable Disclosure Standards[12]

Correspondence Mapping for Sustainable Disclosure Standards

The European Financial Reporting Advisory Group (EFRAG) and the Task Force on Nature-related Financial Disclosures (TNFD) publishes a correspondence mapping for sustainable disclosure standards, aiming to illustrate the relationship between European Sustainability Reporting Standards (ESRS) and TNFD recommendations.

The European Sustainability Reporting Standards is the core of the European disclosure framework, and the European Financial Reporting Advisory Group has previously released implementation guidelines to provide guidance for enterprises to implement sustainable disclosure. EFRAG is also committed to improving the interoperability between ESRS and other international standards. The correspondence mapping will improve the alignment of natural and biodiversity disclosure.

Contents of Correspondence Mapping for Sustainable Disclosure Standards

The European Financial Reporting Advisory Group and the Task Force on Nature-related Financial Disclosures have summarized the correspondence mapping from five dimensions, including concepts and definitions, approach to materiality, LEAP approach, reporting pillars, and recommended disclosures and metrics.

In terms of concepts and definitions, both the European Financial Reporting Advisory Group and the Task Force on Nature-related Financial Disclosures believe that nature, ecosystems, and biodiversity have a clear impact on stakeholders. Both of them include the four natural domains of land, ocean, freshwater, and atmosphere in sustainable information disclosure standards, and use the United Nations Convention on Biological Diversity to define biodiversity and ecosystems. Both of them suggest that enterprises need to consider their dependence and impact on natural resources before implementing materiality assessments, and measure the opportunities and risks generated by natural resources based on the

[12] https://www.todayesg.com/correspondence-mapping-for-sustainable-disclosure/

expected financial impact. These risks include physical risks (acture and chronic risks), transition risks, and systemic risks.

In terms of approach to materiality, the European Financial Reporting Advisory Group believes that double materiality is the foundation of the European Sustainability Reporting Standards, and companies should identify information based on two dimensions: financial materiality and impact materiality when making sustainable disclosures. The Task Force on Nature-related Financial Disclosures has not established specific materiality measurement methods. It is recommended that companies identify and disclose information based on different sustainable preferences and specific requirements of jurisdictions, and companies are not mandatory to use double materiality methods.

In terms of the LEAP approach, the Task Force on Nature-related Financial Disclosures recommends that companies adopt LEAP approach to identify, evaluate, manage, and disclose information, which includes four steps: locate, evaluate, assess, and prepare. The European Sustainability Reporting Standards considers the LEAP method as a tool that can be used for materiality assessment by businesses, and mentions LEAP approach in ESRS E2 pollution, ESRS E3 water and marine resources, ESRS E4 biodiversity and ecosystems, and ESRS E5 resource use and circular economy.

In terms of reporting pillars, both the Task Force on Nature-related Financial Disclosures and the European Financial Reporting Advisory Group adopt pillars designed by the Task Force on Climate-related Financial Disclosures (TCFD), which include governance, strategy, metrics and targets. In terms of risk management, the European Sustainability Reporting Standards applies Risk and Opportunity Management, while the Task Force on Nature-related Financial Disclosures applies Risk and Impact Management. Both also take into account the sustainable disclosure guidelines by International Sustainability Standards Board (ISSB).

In terms of recommended disclosures and metrics, the Task Force on Nature-related Financial Disclosures and the European Financial Reporting Advisory Group have provided detailed mapping tables for sustainable disclosure standards. The 14 recommendations provided by the Task Force on Nature-related Financial Disclosures have all been mapped to the European Sustainability Reporting Standards. In addition to these suggestions, EFRAG and TNFD recommends that companies can also disclose other relevant indicators based on actual situations.

EFRAG Releases Implementation Guidance for European Sustainability Reporting Standards[13]

Implementation Guidance for Sustainability Reporting Standards

The European Financial Reporting Advisory Group (EFRAG) releases Implementation Guidance for European Sustainability Reporting Standards (ESRS), aimed at providing guidance for enterprise to implement sustainable information disclosure based on ESRS.

As an important player in the development of European Sustainability Reporting Standards, the European Financial Reporting Advisory Group provides technical advice for EU regulations. In addition to the European Sustainability Reporting Standards for large companies, the European Financial Reporting Advisory Group also releases a draft of the Sustainability Reporting Standards for Small and Medium-sized Enterprises, establishing sustainable disclosure standards for small and medium-sized enterprises.

Introduction to Implementation Guidance for Sustainability Reporting Standards

Last March, the EU requested that the European Financial Reporting Advisory Group prioritize providing guidance to enterprises on how to write sustainability reports. The European Financial Reporting Advisory Group cancelled the priority of developing industry specific standards and developed Implementation Guidance for European Sustainability Reporting Standards. Last December, the European Financial Reporting Advisory Group releases a draft document of these Guidance and solicited market opinions before February. The official version of the implementation Guidance was launched in May.

The Implementation Guidance for European Sustainability Reporting Standards are divided into Material Assessment Implementation Guidance, Value Chain Implementation Guidance, and List of ESRS Datapoints.

Material Assessment Implementation Guidance provides a method for enterprises to conduct materiality assessments and introduce the concepts

[13] https://www.todayesg.com/efrag-implementation-guidance-for-european-sustainability-reporting/

of impact materiality and financial materiality through some cases. Enterprises can disclose substantial sustainable impacts, risks, and opportunities based on the guidance. These disclosures should not only include the company's own business activities, but also involve its partners in the value chain. Companies can refer to the Value Chain Implementation Guidance to disclose complete information.

The Value Chain Implementation Guidance provides reporting requirements based on the value chain, including guidance on information disclosure for upstream and downstream stakeholders of enterprises. The Value Chain Implementation Guidance need to be used in conjunction with the Material Assessment Implementation Guidance for companies to disclose material value chain information. When enterprises are unable to obtain relevant information due to various reasons, they can refer to the guidance to handle missing information.

The List of ESRS Datapoints provides data points and related information for each disclosure project, including 161 mandatory disclosure data points and 622 data points determined based on materiality assessment. Each data point provides detailed information collection and disclosure requirements to establish consistent and comparable datasets. Except for the general disclosure guidance of ESRS 1, all disclosures under European Sustainability Reporting Standards can be found in the List of ESRS Datapoints.

The implementation Guidance also explain the relationship between the Corporate Sustainability Reporting Directive (CSRD) and the Corporate Sustainability Due Diligence Directive (CSDDD), that is, the disclosure obligation of the CSRD is independent of the information disclosure obligation of the CSRD. Therefore, the European Sustainability Reporting Standards do not cover the disclosure of information related to Corporate Sustainability Due Diligence Directive. However, European Financial Reporting Advisory Group encourages companies to comply with the Corporate Sustainability Due Diligence Directive in order to improve transparency in sustainable development information disclosure.

The European Financial Reporting Advisory Group believes that companies can effectively comply with European Sustainability Reporting Standards and improve the transparency and consistency of sustainable development information disclosure in accordance with the requirements of the three Implementation Guidance. The European Financial Reporting Advisory Group provides feedback on each implementation guideline on its official website for participants to access.

European Regulatory Authorities Suggest Amending Sustainable Finance Disclosure Regulation[14]

Amending Sustainable Finance Disclosure Regulation

Three European financial regulatory authorities releases documents proposing amendments to the Sustainable Finance Disclosure Regulation (SFDR) to improve transparency in information disclosure and reduce the risk of greenwashing.

The three regulatory authorities that proposed this proposal are European Banking Authority, European Securities and Markets Authority, and European Insurance and Pension Authority. Last December, they releases d documents amending the definition, methodology of Principal Adverse Impact (PAI) in Sustainable Finance Disclosure Regulation.

Analysis of Current Sustainable Finance Disclosure Regulation

In previous tests, three financial regulatory authorities found that many investors found information based on Sustainable Finance Disclosure Regulations to be very complex and difficult to read and understand. Meanwhile, asset management companies have begun to use Article 8 and Article 9 for marketing and sales activities and classify their financial products. Regulatory authorities believe that in the absence of a clear classification method for sustainable funds, these classifications may lead to greenwashing risks and it does not align with their intents.

To address the current problems, regulatory authorities plan to introduce a new product classification system and a new sustainability indicator system to simplify information disclosure and provide investors with clearer sustainable information. At the same time, the application scope and information disclosure process also need to be modified to simplify the actions of participants.

For Companies: A New Product Classification System

[14] https://www.todayesg.com/esa-sustainable-finance-disclosure-regulation/

The regulatory authorities initially plans to use the Sustainable Finance Disclosure Regulation as a regulation for information disclosure, but currently market participants have applied Article 8 and Article 9 as sustainability labels to products. Article 8 states that the promotion of environmental or social characteristics is very broad, making it difficult for investors to have a clear understanding of the sustainability of the product. Meanwhile, market participants have different understandings of the definition of sustainable investment, leading to problems with fund disclosure in Article 9.

Regulatory authorities suggest introducing a product classification system with sustainable features to replace the existing Article 8 and Article 9 fund classification methods. The new product classification system will include two categories, namely:

Sustainable product category: Investing in assets that already possess environmental and social sustainability characteristics. In the future, regulators can consider designing the environmental and social categories separately or merging them into one category. Products needs to meet the minimum sustainable investment threshold, which will be calculated based on the economic activity definition of the EU Taxonomy. The other parts that do not comply within the threshold must at least comply with the Do Not Significant Harm (DNSH) principle.

Transition product category: Investing in assets that are currently unsustainable but will develop into sustainable assets in the future. These products can be based on key performance indicators of the EU Taxonomy, reflecting the gradual improvement of sustainable characteristics and the mitigation of major adverse effects (PAI) at the product level, and disclosing the decarbonization trajectory and transition plan of the products. Such products need to provide investors with a clear understanding of their short-term and long-term sustainability goals and performance.

Under the new product classification system, funds can belong to either the sustainable product category or the transitional product category, or they can neither belongs to the two categories. In cases of non-compliance, funds can also be divided into funds with sustainable characteristics and funds without sustainable characteristics at all. Funds with sustainable characteristics need to disclose their sustainable characteristics in documents but restrict the use of ESG or sustainable terminology in naming and marketing. Funds that do not have sustainable characteristics should clearly disclose that they do not have sustainable characteristics and cannot use ESG or sustainable terminology in naming and marketing.

However, these products can disclose some negative impacts on sustainability to distinguish them from similar products.

For Investors: A New Sustainability Indicator System

Regulatory authorities believe that investors find it difficult to understand the sustainable goals and characteristics of different products when reading information disclosures. However, using sustainable indicators to measure financial products and using different letters and colors can help investors identify the sustainable characteristics of the products. At the same time, the EU already has numerous documents that can serve as methods for calculating sustainability indicators, ensuring that the sustainability indicator system does not conflict with existing regulations.

Regulatory authorities suggest setting up a new sustainable indicator system to provide investors with an intuitive introduction to sustainable characteristics. These sustainability indicators can appear separately in each product category or be reused in different product categories. The new sustainable indicator system also simplify communication between participants and investors.

European Investment Bank Releases ESG-related Strategic Roadmap[15]

ESG-related Strategic Roadmap

The European Investment Bank (EIB) releases an ESG-related strategic roadmap, aiming to formulate priorities for the next three years and provide financial support for ESG development in Europe.

As the EU's climate bank, more than 50% of the European Investment Bank's investments are used to support climate action and environmentally sustainable projects. In 2023, it has signed financing of approximately 88 billion euros and driven approximately 320 billion euros in matching funds. It has a significant role in the EU countercyclical and risk-sharing capabilities.

Introduction to ESG-related Strategic Roadmap

The European Investment Bank develops a strategic roadmap from 2024 to 2027, in which ESG-related strategies include:

Consolidate EIB’s position as a climate bank: The EIB considers financing the green transition and supporting climate action to be strategic priorities and plans to strengthen investments in sustainable infrastructure and support biodiversity, circular economy and nature-based solutions. The European Investment Bank will launch two new programs in the future, namely the water program to support the blue economy and the energy efficiency program for small and medium-sized enterprises. The water program will invest in infrastructure and water management technologies to combat flooding, droughts and rising sea levels caused by climate change. The energy efficiency program will promote low-carbon technologies to achieve energy savings and improve business operations.

Accelerate digitalization and the deployment of new technologies: The European Investment Bank will invest in key technologies such as net-zero emissions and promote the development of industrial production capacity based on Tech-EU plan. As the backbone of European venture capital market, the European Investment Bank has launched a venture debt model

[15] https://www.todayesg.com/eib-releases-esg-related-strategic-roadmap/

to provide financing for innovative companies in strategic areas such as clean technology. These financings can close the capital gap and lead to the allocation of private capital.

Support agriculture and the bioeconomy: The European Investment Bank plans to develop the bioeconomy and circular economy to finance climate change mitigation and adaptation. It will also develop a new pan-European agriculture program to help member states manage climate risks.

Reinforce investment in European social infrastructure: The European Investment Bank believes that investment in education, training, and skills can increase productivity and achieve sustainable growth. The European Investment Bank plans to rely on partners to test new origin-to-distribute models and establish standardized products to lead institutional investor asset allocations. This model can increase large-scale investment to support technological innovation.

European Parliament Adopts Carbon Removal Certification Framework[16]

Carbon Removal Certification Framework

The European Parliament adopts Carbon Removal Certification Framework (CRCF), which aims to measure, supervise, and verify carbon removal activities and reduce the risk of greenwashing.

The European Parliament believes that robust, reliable, and transparent carbon removal certification can promote the development of the Voluntary Carbon Market and help the EU achieve its climate neutrality goal in 2050 and become a global leader in carbon removal area.

Background to Carbon Removal Certification Framework

To achieve the Paris Agreement warming targets, the world needs to reduce greenhouse gas emissions in the coming decades. On the one hand, adopting a circular economy and improving the efficiency of industrial production can reduce carbon dioxide emissions. On the other hand, using carbon capture technology to remove carbon dioxide from the atmosphere to compensate for some carbon emissions that are difficult to reduce is also an essential way.

European Climate Law stipulates that the EU achieve climate neutrality by 2050, which means that carbon emissions and carbon removals need to be balanced. However, in recent years, the amount of carbon removal in natural ecosystems has been declining, and industrial carbon removal has not yet been promoted. EU states in its Circular Economy Action Plan that it will develop an effective carbon removal certification framework to ensure high-quality carbon removal and accurate certification.

In its previous Conference on Sustainable Carbon Cycles, the EU collected some possible problems that stakeholders may have regarding the carbon removal certification framework, such as the difficulty in assessing the quality of carbon removal and the market's acceptance of carbon removal certification and the high capital cost of carbon removal activities.

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[16] https://www.todayesg.com/eu-carbon-removal-certification-framework/

Contents of Carbon Removal Certification Framework

The Carbon Removal Certification Framework (CRCF) will initially serve as a voluntary framework to encourage the market to adopt high-quality carbon removal actions that generate clear net carbon removal benefits and avoid greenwashing. At the same time, the carbon removal certification framework will also bring co-benefits to biodiversity and achieve the relevant goals of the European Nature Restoration Law.

The Carbon Removal Certification Framework will measure the net benefit of carbon removal to demonstrate a positive impact on climate change. The net carbon removal benefit will be calculated in a two-step process, first quantifying the additional carbon removals resulting from the carbon removal activities compared to the baseline case, and secondly subtracting the greenhouse gas emissions resulting from the implementation of the carbon removal activities from the additional carbon removals. Carbon removals need to be quantified in an accurate, complete, and consistent manner to ensure high quality calculations and reduce uncertainty.

The Carbon Removal Certification Framework recognizes that the determination of baseline conditions needs to be as simple as possible to reduce the compliance costs of adopting carbon removal actions. Participants also need to consider possible reversal risks, whereby the carbon dioxide stored in carbon removals is re-emitted into the natural environment in another way in the future. These reversal risks may result in a discount on carbon removal units.

After implementing standardized, verifiable carbon removal activities, the Carbon Removal Certification Framework will provide a detailed certification methodology to develop certification standards in a scientific manner. These certifications include independent third-party audits and the publication of audit reports. Certification of carbon removals needs to include accurate and transparent information on actions, including removal volumes and net carbon removal benefits, for application in the Voluntary Carbon Market (VCM). Subsequent regulatory authorities will formulate specific certification rules and procedures and establish a public register to ensure the transparency and traceability of carbon removal certification and avoid the risk of fraud and double counting.

Considering future technological advances and market developments, regulators will review the implementation of the carbon removal certification framework three years after it comes into effect, considering the results of the Paris Agreement's Global Stocktake, in order to make appropriate changes.

European Banking Authority Releases Final Report on Greenwashing in Banking Sector[17]

Final Report on Greenwashing in Banking Sector

European Banking Authority (EBA) releases final report on greenwashing in banking sector, which aims to outline greenwashing risks in the banking industry and its impact on industry participants.

The report is a response from European Supervisory Authorities (ESAs) to EU requirements. In May 2022, the European Union requested ESAs to provide opinions on greenwashing, and to release an interim report in May 2023 and a final report in May 2024. In addition to the European Banking Authority, the European Securities and Markets Authority (ESMA) and the European Insurance and Pension Authority (EIOPA) also releases final report on greenwashing in relevant sectors.

Understand Greenwashing in the Financial Industry

Although greenwashing report mainly analyzes greenwashing in the banking industry, ESAs have reached a consensus on the definition of greenwashing in the financial industry. Greenwashing refers to the phenomenon where sustainability related statements, actions, and communication cannot clearly and accurately reflect the sustainable characteristics of entities, financial products, or financial services, and may mislead consumers, investors, and other market participants. The driving factors for greenwashing are complex, including increasing demand for sustainable products, companies wanting to maintain a sustainable image, vague regulatory policies and concepts, and insufficient quality and availability of financial data.

When financial industry practitioners communicate with consumers, investors, and other market participants, they may use vague, false, overly simple, or unconfirmed information, leading to greenwashing. If practitioners perform intentionally, negligently, or lack robust business processes, regulatory agencies may take stricter penalty against greenwashing. Greenwashing exists in multiple stages of financial products or services, including manufacturing, marketing, delivery,

[17] https://www.todayesg.com/eba-greenwashing-in-banking-sector/

monitoring, etc., which can reduce market trust in sustainable finance and lead to unfair competitive advantages for those who use greenwashing.

Greenwashing: Trend, Types and Impacts in Banking Sector

The European Banking Authority uses the RepRisk to analyze greenwashing cases in the global banking industry. Since 2022, the number of greenwashing cases in the European financial industry has rapidly increased (40 in 2018 and 206 in 2022). In 2023, the number of greenwashing cases in the European financial industry reaches 234, accounting for 21% of all greenwashing cases in Europe. There are 90 cases of greenwashing in the banking industry, accounting for 8% of all greenwashing cases in Europe. The three main topics of European financial industry greenwashing cases are climate change, biodiversity, and the impact on local communities.

European Banking Authority continues to collect complaints from banks regarding greenwashing and finds that the most common complaints are "vague, unclear, or lacking clarity information". Other major complaints included "exaggerated publicity", "inconsistent information disclosure", "lack of fair and intentional comparison, basic assumptions", etc. Some rare complaints about greenwashing include "outdated information", "misleading text and images", etc. Most of these complaints come from consumers and investors, with a few coming from public institutions.

For the banking industry, credit and loan is an essential business, and sustainability-linked loans have become a research focus in greenwashing. Sustainability-linked loans typically have lower borrowing costs and require entities to meet certain sustainable performance targets or key performance indicators. The phenomenon of greenwashing has led to a decrease in the trust of market participants in borrowers, and the scale of globally sustainable linked loans has declined for the first time in 2023 after rapid growth in recent years.

How to Solve Greenwashing in Banking Sector

European Banking Authority believes that there are two ways to solve greenwashing. One is to regulate the marketing and communication behavior of financial institutions and avoid misleading statements and unfair business practices. The other is to develop a sustainable finance framework, incorporating sustainable finance into regulatory scope, to identify greenwashing behavior and propose solutions. The European Taxonomy and Corporate Sustainability Reporting Directive have proposed an ESG information disclosure framework, which helps reduce greenwashing.

For banking institutions, European Banking Authority has provided some suggestions, such as providing clear and detailed information in green deposit promotion, using scientific performance targets in sustainable linked loans, and seeking verification from third-party auditing agencies. In addition, banking institutions can also refer to the International Capital Market Association's guidance on sustainable financial products and establish business processes that comply with international standards.

European Banking Authority Presents Main Achievements on ESG Roadmap[18]

Main Achievements on ESG Roadmap

The European Banking Authority (EBA) presents main achievements on ESG roadmap, aiming to conclude the various actions carried out in the past year.

The European Banking Authority has released an ESG roadmap in 2022 to make plans for the next three years, ultimately integrating ESG risks into the banking regulatory framework and supporting the EU's transition to a sustainable economy.

Introduction to EBA's ESG Roadmap

The second version of the ESG roadmap released by the European Banking Authority formulated a work plan from 2023 to 2025. Compared with the first version of the ESG roadmap from 2020 to 2022, the new version of the ESG roadmap has formulated eight goals, which are:

Transparency and disclosures: Strengthen access to information and establish market rules.

Risk management and supervision: Incorporate ESG factors and risks into the risk management framework.

Prudential treatment of exposures: Identify areas for improvement to better measure environmental and social risks.

Stress testing: Incorporate ESG risks into the stress testing framework to help banks identify weaknesses.

Standards and labels: Support definitions and methods for establishing sustainable banking products.

Greenwashing: Describe the characteristics, drivers and risks of greenwashing, and assess the interaction with regulatory framework.

[18] https://www.todayesg.com/eba-presents-main-achievements-on-esg-roadmap/

Supervisory reporting: Add ESG risk to supervisory reports.

ESG risks and sustainable finance monitoring: Track developments in material ESG risks and sustainable finance.

EBA's Actions Based on ESG Roadmap

In line with the work objectives of the ESG Roadmap, the European Banking Authority continues to improve the prudential risk framework to measure environmental and social risks. In October 2023, the European Banking Authority issued a report on the role of environmental and social risks in the prudential framework of credit institutions and investment companies, assessing how to include environmental and social risks in the prudential framework and as part of the implementation of the revised Capital Requirements Regulation and Capital Requirements Directive (CRR III / CRD VI).

In terms of ESG risk management and supervision, in January 2024, the European Banking Authority released a consultation document on the draft ESG risk management guidelines, and plans to formulate measures for the banking industry to identify, measure, manage and detect ESG risks this year. In terms of ESG information disclosure, the European Banking Authority reviewed the Principal Adverse Impact (PAI) and financial disclosure rules in the European Sustainable Finance Disclosure Regulation (SFDR), and published a report in September 2023.

In order to promote the development of sustainable finance in the EU, the European Banking Authority, the European Securities and Markets Authority (ESMA) and the European Insurance and Occupational Pensions Authority (EIOPA) released reports on greenwashing in the financial sector within their respective areas of responsibility in June 2023. The report released by the European Banking Authority outlines the phenomenon of greenwashing in the banking industry and its impact on credit institutions and investment companies.

The European Banking Authority also responded to the European Commission's consultation paper on green loans and mortgages. A report released by the European Banking Authority in December 2023 recommends setting up a voluntary green loan label and establishing green loan standards and incorporating them into the EU Mortgage Credit Directive.

European Banking Authority is also preparing a Fit-for-55 climate risk scenario analysis. The climate risk scenario analysis aims to assess the climate resilience of the financial sector and understand the ability of the financial system to support the transition to a low-carbon economy. The European Banking Authority is also considering developing a framework for regular climate stress testing to monitor ESG risks in the banking sector and financial markets.

European Securities and Markets Authority Releases Guidelines on ESG Fund Names[19]

Guidelines on ESG Fund Names

The European Securities and Markets Authority (ESMA) releases guidelines on ESG fund names, aiming to provide clear and measurable standards for asset management companies to use ESG or sustainability-related terms in fund names and avoid greenwashing.

The ESMA updated the naming rules for ESG funds in December last year, requiring asset management companies to reflect sustainable characteristics in the investment objectives and assets held by ESG funds. The guidelines released this time is the final version and will become the regulatory basis for existing funds and subsequent new funds.

Background of Guidelines on ESG Fund Names

Fund name is an important tool for the fund to convey information to investors. It is usually the first feature of the fund that investors pay attention to and will have a significant impact on investors' decision-making. The European Securities and Markets Authority believes that as investors' interest in sustainable asset allocation grows, market pressure may prompt asset managers to add ESG or sustainability-related terms to fund names to attract investors, and in some cases lead to greenwashing.

ESMA also cites some EU regulations in the document. For example, the EU Undertakings for Collective Investment in Transferable Securities Directive (UCITS Directive) stipulates that EU member states must ensure that asset management companies act honestly and fairly when conducting business to secure best interests of UCITS and maintain market integrity. The Alternative Investment Fund Managers Directive (AIFMD) also requires alternative investment fund managers to conduct their activities honestly, prudently, diligently and publicly.

In April this year, amendments to the EU's UCITS Directive and AIFMD came into effect, requiring the European Securities and Markets Authority

[19] https://www.todayesg.com/esma-releases-guidelines-on-esg-fund-names/

to develop guidelines to where the name of an UCITS or AIF is unclear, unfair or misleading.

Contents of Guidelines on ESG Fund Names

The guidelines on ESG fund names apply to UCITS management companies and alternative investment fund managers, aiming to clarify situations where the use of ESG or sustainability-related terms in funds is unclear, unfair or misleading. All member states are required to incorporate the guidelines into their regulatory framework and monitor market participants for compliance. If a member state's supervisory authority does not intend to comply with the guidelines, it will need to notify the reasons within two months from the date of publication of the guidelines.

The guidelines’ requirements for fund names are as follows:

Funds that use environmental, social, governance, transition or impact-related terms are required to invest at least 80% of the fund in assets that meet environmental, social or sustainable investment objectives, and exclude companies mentioned in Article 12 of Commission Delegated Regulation. This regulation is aligned with the minimum standards of the EU Climate Transition Benchmarks and EU Paris-aligned Benchmarks.

Funds that use sustainability-related terms are required to invest at least 80% of the fund in assets that meet environmental, social or sustainable investment goals, while excluding controversial companies involved in Article 12 of Commission Delegated Regulation, and commit to Make meaningful investments in sustainable assets in Article 2 of Sustainable Finance Disclosure Regulation (SFDR).

Funds that use transition or impact-related terms need to ensure that their investments have clear and measurable environmental or social transition characteristics, or can generate positive and measurable environmental or social impacts while obtaining financial returns.

The European Securities and Markets Authority will publish ESG fund naming guidelines on its website in all EU languages, and the guidelines will take effect three months from the date of publication. After the guidelines come into effect, all newly established funds must immediately comply with the guidelines' requirements, and previously established funds will need to adjust their fund names within six months after the guidelines take effect.

UK Financial Conduct Authority Releases Guidance on Anti-Greenwashing Rule[20]

Guidance on Anti-Greenwashing Rule

The UK Financial Conduct Authority (FCA) releases guidance on anti-greenwashing rules, aiming to improve the sustainable features of corporate products and services and reduce the damage caused by greenwashing.

The guidance on anti-greenwashing rule is one of the measures finalized by the previous Sustainability Disclosure Requirements. The UK FCA has previously released relevant consultation documents and received a total of 69 responses. These responses generally support the FCA's establishment of anti-greenwashing rules.

Background to Guidance on Anti-Greenwashing Rule

FCA finds in previous surveys that consumers have a high interest in sustainable products and services. In the Financial Lives Survey, 74% of respondents believe that environmental issues are very important to them, and 79% of respondents believe that companies need to bear social responsibilities in addition to making profits. As companies continue to make statements and claims related to sustainable development, some exaggerated, misleading and unsubstantiated issues have gradually emerged.

FCA wants to protect consumers from greenwashing so they can make decisions that are consistent with their sustainable preferences. At the same time, FCA hopes to create a level playing field for companies in the market and increase stakeholder confidence in sustainable products. Transparency and accuracy in the provision of products and services can also contribute to the development of sustainable financial markets.

Contents of Guidance on Anti-Greenwashing Rule

[20] https://www.todayesg.com/fca-releases-guidance-on-anti-greenwashing-rule/

The FCA has taken into account the regulatory principles of the Financial Services and Markets Act and integrated responses to the consultation paper to develop guidance on anti-greenwashing rules. Guidance on anti-greenwashing rules will regulate the conduct of businesses, requiring that sustainability-related statements they make must be fair, clear and not misleading. It applies to businesses that provide products and services (including financial products and services) to UK customers and also includes relevant sales information.

Guidance on anti-greenwashing rules believes that sustainability claims should:

Correct and capable of being substantiated: Companies should not state or imply untrue products or services, nor should they exaggerate the sustainability and positive environmental and social impacts of products or services. At the same time, companies need to deliver on the claims made and have appropriate evidence to support those claims. In addition, companies need to regularly review sustainability claims and evidence to ensure they comply with anti-greenwashing rules. For example, the FCA states that if a company claims that its fund investment scope does not include fossil fuels, but its investment includes companies that produce, sell, and distribute fossil fuels, and the income earned by these companies from their activities is below a certain threshold, it violates the rule.

Clear and presented in a way that can be understood: The claims made by the company should be transparent and direct, and consider whether the audience can understand the meaning of the terms. If a claim includes technical terms, it needs to be explained to the audience. When a company uses some images and logos, it needs to pay attention to whether these visual elements are consistent with the proposition. For example, the FCA states that if a company uses a picture of a rainforest on a web page and labels it with sustainable savings, but the actual savings products include green savings and non-green savings, it violates the rule.

Should not omit or hide important information and should consider the full life cycle of the product or service: Companies should not omit or hide important information that may affect decision-making, and be concerned that statements may have sustainable negative impacts. If certain statements are subject to certain conditions, these conditions need to be clearly stated. For example, the FCA states that if a company's fund product excludes companies with ESG ratings below 3, but does not disclose information about these ratings, the level of the ratings, and the reasons for using 3 as the threshold, it violates the rule.

Comparisons to other products or services are fair and meaningful: When companies compare their own products or services with those of competitors, they need to clarify the objects and comparison ways. For example, if a company claims that its bond products have lower emissions than other bond products in the market but does not specify which measurement method these emissions involve (such as Scope 1 2 3), and does not give a specific comparison date, it violates the rule.

TodayESG

ESG Regulation in Asia

Hong Kong Releases 2024 Green Future Plan[21]

Green Future Plan

Hong Kong releases a green future plan in the 2024-25 Budget, aiming to promote Hong Kong's green transition and meet business and financing needs.

The theme of the budget is to promote high-quality development, and green future is an important direction for high-quality development. As economies around the world move towards carbon neutrality, the green future plan will help Hong Kong achieve green neutrality in many industries.

Contents of Green Future Plan

The 2024 green future plan includes many industries, such as green finance, green technology, green shipping, green aviation, green cities and sustainable development of fishery and agriculture. The specific measures are as follows:

In terms of green finance, Hong Kong plans to extend the Green and Sustainable Finance Grant Scheme for three years and expand the scope of funding to transition bonds and loans to further encourage companies to use Hong Kong's transition financing platform to gradually reduce carbon emissions. The Financial Services and the Treasury Bureau and the Securities and Futures Commission will formulate a sustainability roadmap to assist companies and financial institutions in sustainable reporting and analysis of relevant data and promote sustainable finance development.

In terms of green technology, the government has injected $400 million into the Low-Carbon Green Research Fund to provide funding for scientific research projects to reduce carbon emissions and strengthen environmental protection in Hong Kong. The Green and Sustainable Fintech Proof-of-Concept Subsidy Scheme will be launched in the first half of this year to provide early funding for potential green financial technologies and promote their commercial development.

[21] https://www.todayesg.com/hong-kong-releases-2024-green-future-plan/

In terms of green shipping, the Marine Department plans to provide preferential measures to Hong Kong-registered ships that obtain high ratings in the international carbon reduction standards set by the International Maritime Organization. The Transport and Logistics Bureau is working with the Environment and Ecology Bureau and other relevant departments to conduct a feasibility study on providing green methanol to local ships and ocean-going vessels and plans to build Hong Kong into a green energy source for shipping filling center.

In terms of green aviation, Hong Kong is committed to turning Hong Kong International Airport into a green airport. The Airport Authority is working with relevant government departments to simplify the approval process for the transportation and storage of sustainable aviation fuel. The AA has recently conducted research to understand global sustainable aviation fuel development trends and made recommendations from the aspects of policy measures and infrastructure.

In terms of green cities, the government will launch a project for solar power generation buildings to explore the application of solar power generation technology on the curtain walls of government buildings. The government is actively promoting trials of different new energy public transport vehicles and promoting the industry to trial different types of new energy commercial transport vehicles through the New Energy Transport Fund. The maximum first registration tax exemption amount under the electric private car scheme will be adjusted to 172,500 HKD, and the upper limit of the exemption amount for electric private cars will be adjusted to 58,500 HKD.

In terms of sustainable development of fisheries and agriculture, Hong Kong's Environment and Ecology Bureau has announced the Blueprint for the Sustainable Development of Agriculture and Fisheries. In terms of agriculture, it is expected to establish a modern scientific and technological agricultural park within this year to accelerate the development of agricultural modernization through public-private collaboration. In terms of fisheries, four fish farming areas will be invested in phases, which is expected to significantly increase the output of local marine fish farming.

Hong Kong Exchange Releases Guidance for Climate Disclosures[22]

Guidance for Climate Disclosures

The Hong Kong Exchange (HKEX) releases guidance for climate disclosures, aiming to require listed companies to disclose climate information based on the Climate-related Sustainability Disclosure Standards (IFRS S2) in stages.

IFRS S2 is formulated by the International Sustainability Standards Board (ISSB). ISSB released the first Preview of the Inaugural Jurisdictional Guide for the Adoption or other Use of ISSB Standards in February this year to help jurisdictions around the world formulate policies related to ISSB sustainability standards. regulatory requirements.

Contents of HKEX's Guidance for Climate Disclosures

The Hong Kong Exchange previously released a consultation document on climate-related information disclosure under the environmental, social and governance framework and received 115 responses from accountants, lawyers, listed companies, asset management companies and other stakeholders. Most of the responses were in favor of the Hong Kong Stock Exchange's implementation of climate information disclosure. The guidance for climate disclosures released this time will be implemented in phases to solve the difficulties faced by some issuers.

The Hong Kong Exchange divides issuers into three categories, namely Hang Seng Composite Large Cap Index constituent issuers (LargeCap Issuers), Main Board Issuers (other than LargeCap Issuers) and Growth Enterprise Market issuers (GEM Issuers).

Regarding Scope 1 and Scope 2 greenhouse gas emission information disclosure, the Hong Kong Stock Exchange requires all issuers to make mandatory disclosures in the financial year starting after January 1, 2025.

Regarding Scope 3 greenhouse gas emissions information disclosure, the Hong Kong Stock Exchange requires LargeCap Issuers to implement the

[22] https://www.todayesg.com/hkex-guidance-for-climate-disclosures/

Comply or Explain principle in the fiscal year beginning after January 1, 2025 and turns to mandatory disclosures for fiscal years beginning after January 1, 2026. Main Board Issuers will implement the Comply or Explain principle in the financial year starting after January 1, 2025, and GEM Issuers will implement voluntary disclosure in the financial year starting after January 1, 2025.

The Hong Kong Exchange plans to provide further guidance and training based on the issuer's compliance with information disclosure in the future.

Hong Kong Monetary Authority Launches Hong Kong Taxonomy for Sustainable Finance[23]

Hong Kong Taxonomy for Sustainable Finance

The Hong Kong Monetary Authority (HKMA) launches the Hong Kong Taxonomy for Sustainable Finance, which aims to provide the market with a green and sustainable finance classification framework to promote capital flows and mitigate greenwashing risk.

The Hong Kong Monetary Authority invites Climate Bonds Initiative (CBI) to assist in the development of a sustainable finance taxonomy and appoints Green and Sustainable Finance Cross-Agency Steering Group (CASG) to assist. The Hong Kong Taxonomy for Sustainable Finance is also consistent with China's Green Bond Endorsed Projects Catalog and the European Union's Taxonomy for Sustainable Activities.

Background on Hong Kong Taxonomy for Sustainable Finance

The Hong Kong Taxonomy for Sustainable Finance aims to provide the financial industry with a consistent and internationally recognized definition of green and sustainable economic activities that is interoperable, comparable and able to align with the definitions of other taxonomies around the world. The Hong Kong Taxonomy for Sustainable Finance is established based on the following principles:

Alignment with the Paris Agreement. The taxonomy focuses on providing a clear definition of the emissions intensity performance required for economic activities to keep global warming targets below 2 degrees Celsius, and ideally controlled at 1.5 degrees Celsius. This goal is aligned with the Paris Agreement.

A proof from greenwashing. The taxonomy can provide a clearer definition of green activities while providing a set of easy-to-use verification standards to reduce greenwashing.

Interoperability with other taxonomies. The taxonomy considers the sustainable finance taxonomies of China, the European Union, and

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[23] https://www.todayesg.com/hong-kong-taxonomy-for-sustainable-finance/

ASEAN, and is based on the International Standard Industrial Classification of All Economic Activities (ISIC) and the Hong Kong Standard Industrial Classification (HSIC) to classify economic activities and ensure the interoperability.

Science-based criteria and thresholds. The calculation standards and trajectories are consistent with global net-zero emissions requirements by 2050.

Foundations of Do No Significant Harm and Minimum Social Safeguards. The taxonomy incorporates the concepts of Do Not Cause Significant Harm (DNSH) and Minimum Social Security (MSS), and plans to explore the application of these concepts in subsequent developments.

Introduction to Hong Kong Taxonomy for Sustainable Finance

Hong Kong has formulated four main decarbonize strategies in its 2050 climate plan, namely net-zero electricity generation, energy saving and green buildings, green transport and waste reduction. The industries covered by this sustainable finance taxonomy are closely related to the above four carbon reduction strategies. These industries include:

Electricity, Gas, Steam and Air Conditioning Supply.

Transportation and Storage.

Water Supply, Sewerage, Waste Management and Remediation Activities.

Construction.

For the economic activities in each industry, the Hong Kong Taxonomy for Sustainable Finance provides a number of activity cards, each card containing a detailed description of one or more activities.

Taking the solar power generation above as an example, the activity card gives the industry classification involved in solar power generation, as well as the activities that are closest to the Hong Kong Standard Industrial Classification (HSIC), the International Standard Industrial Classification (ISIC) and other taxonomies. The activity card also includes a further description of the activity, criteria for meeting the green classification and additional requirements.

Although there are no additional requirements for solar power in the above example, other activities may have related requirements. These include some greenhouse gas emissions standards and industry-specific metrics. Economic activities can only be considered sustainable when they meet these additional requirements.

The Hong Kong Monetary Authority plans to continue to expand the industries covered by the taxonomy and include transition activities in it. HKMA will also continue to work with stakeholders to promote the application of the sustainable finance taxonomy.

Hong Kong SFC Releases Draft Code of Conduct for ESG Ratings and Data Products Providers[24]

Draft Code of Conduct for ESG Ratings and Data Products Providers

The Hong Kong Securities and Futures Commission (SFC) and the International Capital Market Association (ICMA) releases the draft code of conduct for ESG ratings and data products providers, aiming to develop voluntary code of conducts for ESG related parties.

The Hong Kong Securities and Futures Commission released a questionnaire survey in November last year to investigate ESG rating agencies, data providers and asset management companies using these products in Hong Kong, and planed to regulate ESG rating and data products providers. The draft released this time was written by the International Capital Market Association and is interoperable with relevant standards in major jurisdictions around the world.

Background of Draft Code of Conduct for ESG Ratings and Data Products Providers

Since the release of the questionnaire survey last year, the Hong Kong Securities and Futures Commission has established the Hong Kong ESG ratings and data products providers Voluntary Code of Conduct Working Group (VCWG). Members of the VCWG include representatives of ESG rating and data products providers from Hong Kong, as well as regulatory agencies such as the Hong Kong Securities and Futures Commission and the Hong Kong Monetary Authority, and International Capital Market Association is invited to serve as secretary.

The VCWG referred to the documents issued by the International Organization of Securities Commissions (IOSCO) and believed that the Code of Conduct for ESG Rating and Data Product Providers in Hong Kong does not need to include specific adjustments. Therefore, the content involved in the draft is basically consistent with the codes formulated by other jurisdictions. The VCWG believes that with the development of global sustainable information disclosure requirements, the code can

[24] https://www.todayesg.com/hksfc-draft-code-of-conduct-for-esg-ratings/

improve the transparency of ESG ratings and data products and help investors obtain more high-quality ESG resources.

Contents of Draft Code of Conduct for ESG Ratings and Data Products Providers

The draft code of conduct for ESG Rating and data products providers contains six principles, which are:

Principle on Good Governance: ESG rating and data product providers should ensure that they have good governance arrangements in place to comply with the principles set out in the draft code of conduct. For example, the provider needs to have a clear organizational structure and define the roles and responsibilities of personnel related to ESG ratings and data products.

Principle on Securing Quality: ESG rating and data product providers should adopt and implement specific written policies and procedures to ensure the provision of high-quality ESG ratings and data products. For example, providers should continuously track and update ESG ratings and data products based on the scale and complexity of their business, regularly review ratings and data methods, and disclose possible changes and the impact of these changes.

Principle on Conflicts of Interest: ESG rating and data product providers should adopt and implement specific written policies and procedures to ensure that their decisions are not interfered with by external factors and can handle actual or potential conflicts of interest in business activities. For example, providers need to identify, manage and disclose conflicts of interest and develop measures to avoid them. They can establish appropriate remuneration arrangements and reporting frameworks to ensure that the credibility and fairness of the business are not affected.

Principle on Transparency: ESG rating and data product providers should fully and publicly disclose the methods and processes they use to enhance the market's trust in the products while ensuring commercially sensitive data. For example, providers disclose to the market the intended use of ESG ratings and data products and key performance indicators.

Principle on Confidentiality: ESG rating and data product providers should ensure that non-public information used in their business activities is effectively handled and protected. For example, providers can implement specific information confidentiality mechanisms to ensure that non-public information is only used to develop ESG ratings and data products.

Principle on Engagement: ESG rating and data product providers should communicate with companies regularly and take appropriate improvement measures. For example, they should reserve sufficient preparation time for companies and update material information in a timely manner.

The Hong Kong Securities and Futures Commission plans to provide a one-month consultation period for the draft code of conduct, after which ESG rating and data product providers can voluntarily sign this code and enter the implementation stage. The Hong Kong Securities and Futures Commission plans to update the document in the next two to three years to reflect the latest development of ESG ratings and data products.

Hong Kong Releases Measures to Develop Sustainability Disclosure Ecosystem[25]

Sustainability Disclosure Ecosystem

The Hong Kong government and financial regulators issues a declaration plan to establish the sustainability disclosure ecosystem, aiming to strengthen Hong Kong's development in green finance and sustainable finance.

The declaration mentioned that accurate information disclosure is an important element of green and sustainable finance. To achieve Hong Kong's 2050 carbon neutrality goal, various stakeholders need to improve Hong Kong's sustainability disclosure ecosystem.

Sustainability Disclosure Ecosystem Development

To build the sustainability disclosure ecosystem, the Hong Kong government and financial regulators plan to take the following measures:

Establish sustainable disclosure targets. Hong Kong plans to become one of the first jurisdictions to apply relevant standards of the International Sustainability Standards Board (ISSB) to local sustainability disclosures to demonstrate Hong Kong's leadership in sustainable finance to international investors and strengthen the competitiveness of listed companies.

Appoint Hong Kong's sustainable disclosure rule-maker. The Hong Kong government plans to appoint the Hong Kong Institute of Certified Public Accountants as the developer of sustainable disclosure rules in Hong Kong to formulate local standards and implementation guidelines based on the ISSB standards.

Implement sustainability disclosures in phases. The Hong Kong government plans to include listed companies and financial institutions in the application of sustainable disclosure standards and implement sustainable disclosure in phases.

[25] https://www.todayesg.com/hong-kong-sustainability-disclosure-ecosystem/

Strengthen sustainable auditing. Regulators will strengthen audits of sustainability information to enhance the credibility of information disclosures. In addition, Hong Kong will train sustainable talents and promote the application of technology to reduce compliance costs.

Develop a sustainable disclosure roadmap. The Hong Kong government will work with regulators and stakeholders to launch a sustainable disclosure roadmap this year to provide listed companies with clear sustainable disclosure rules.

Singapore Releases Sustainable Finance Jobs Transformation Map[26]

Sustainable Finance Jobs Transformation Map

The Monetary Authority of Singapore (MAS) and the Institute of Banking and Finance jointly releases the Sustainable Finance Jobs Transformation Map to analyze the impact of sustainable development trends on different jobs in the finance industry and identify the emerging skills financial practitioners needed to meet global sustainable financing needs.

As the low-carbon economy continues to develop, the financial industry needs to play a greater role in sustainable financing and investment, so more talents who understand sustainable finance are needed. Singapore plans to become a sustainable human capital center in the Asia-Pacific region. The sustainable finance work transformation map can help financial practitioners to improve their competitiveness and prepare themselves for future challenges.

Sustainable Finance Development in Singapore

The amount of sustainable financing in the ASEAN region will reach S$4 trillion to S$5 trillion in the next ten years, with a compound annual growth rate (CAGR) of 9%. These sustainable financings mainly come from the energy industry and the construction industry. In the Finance for Net Zero Action Plan releases last year, the Monetary Authority of Singapore (MAS) believes that Singapore has the opportunity to become a sustainable financial center in the Asia-Pacific region, and the financial industry needs to improve sustainable skills.

According to the document, 56% of financial practitioners will face more sustainable finance jobs, including risk, compliance, sales, product, relationship management and other different occupations. At the same time, Singapore will add 400 to 500 new sustainable finance jobs every year, covering banking, insurance and asset management industries. The Sustainable Finance Jobs Transformation Map has identified 20 priority positions that require better sustainable finance training in order to play an essential role in their work.

[26] https://www.todayesg.com/sg-sustainable-finance-jobs-transformation-map/

Future Sustainable Skills that Finance Professionals Need

Taking into account the development potential of sustainable finance in Singapore, the sustainable skills that financial practitioners are most likely to need to master include:

Sustainability Risk Management: Financial practitioners need to incorporate sustainable risks into the risk management framework and consider them when developing sustainable financial products.

Taxonomy Application: Financial practitioners need to understand the sustainable financial activities stipulated in the taxonomy and apply the taxonomy in green financing activities.

Climate Change Management: Financial practitioners need to identify climate risks and reduce the financial impacts of climate risks, and develop financial products that support climate change mitigation and climate change adaptation.

Impact Indicators, Measurement and Reporting: Financial practitioners need to understand how to effectively and accurately measure the sustainable results of financial products and complete reporting in accordance with regulatory requirements.

Recommendations from Sustainable Finance Jobs Transformation Map

To promote the development of sustainable finance, financial institutions, government agencies, industry associations, training institutions, etc. need to accelerate the improvement of workforce skills. For example:

Government agencies and industry associations need to establish sustainable finance certification standards so that financial practitioners can obtain targeted training and have the qualifications needed to carry out sustainable finance activities.

Training institutions need to develop practical training contents to improve practitioners' understanding of sustainable risk management and sustainable financial products and fill the gaps in current training.

Financial institutions need to develop long-term career paths for sustainable finance jobs that enable practitioners to take on additional working responsibilities in these areas.

Industry associations need to create an organization of different stakeholders to exchange sustainable finance experiences and knowledge. Members of these organizations include financial institutions, academic institutions, enterprises, sustainability service providers, data suppliers, etc.. Stakeholders can obtain sustainable tools and resources through partnerships and support long-term sustainable development.

MAS and PBoC Announce Enhanced Green Finance Cooperation[27]

Green Finance Cooperation

The Monetary Authority of Singapore (MAS) and the People's Bank of China (PBoC) announce enhanced green finance cooperation, aiming to promote green finance development and jointly develop green finance products.

Last April, MAS and PBoC established the Green Finance Taskforce (GFTF), planning to cooperate on green and transition finance to promote the transition to a low-carbon economy in Asia. The enhanced green finance cooperation comes from the second GFTF meeting.

Contents of Green Finance Cooperation

At the second GFTF meeting, the work plan of the two sides is as follows:

Taxonomies and Definitions: MAS and PBoC will complete the mapping of Singapore Asia Taxonomy (SAT) and International Platform on Sustainable Finance's (IPSF) Common Ground Taxonomy (CGT) by the end of this year to help enterprises issue green bonds and green loans. The two sides also held a meeting on the transition taxonomy to deepen interoperability in transition activities.

Products and Instruments: Singapore Exchange and China International Capital Corporation are building Green Corridors to strengthen green capital flows between the two sides. The two sides will first encourage Singapore issuers to issue green panda bonds in the Chinese onshore bond market. Singapore's real asset management company CapitaLand is the first issuer to issue a 1 billion RMB, three-year sustainability-linked panda bond.

Technology: Singapore's Metaverse Green Exchange and Beijing Green Exchange are working together to develop a carbon accounting and decarbonization rating platform. The platform will aggregate carbon emission data of companies to support financial institutions in Singapore

[27] https://www.todayesg.com/mas-pboc-enhanced-green-finance-cooperation/

and China to provide green financial services. The platform's data accounting will also be consistent with the sustainable taxonomies of the two countries.

In addition to the above main aspects, the meeting also discussed topics such as nature and biodiversity and ESG data models.

HM Treasury and Monetary Authority of Singapore Announce Collaboration in Sustainable Finance[28]

Collaboration in Sustainable Finance

HM Treasury and the Monetary Authority of Singapore (MAS) announces collaboration in sustainable finance, aiming to expand financing and support the net-zero transition.

The UK Treasury and the Monetary Authority of Singapore co-organized the ninth UK-Singapore Financial Dialogue. The two parties plan to strengthen cooperation based on the agreement reached in September last year.

Sustainable Finance Collaboration Agreement

Last September, the UK and Singapore established a partnership on climate, sustainability, green economy and energy cooperation, aiming to achieve the goals of the Paris Agreement and the Glasgow Climate Pact, strengthen climate resilience, prevent biodiversity lost and create new jobs. These collaborations include:

Reiterate its commitment to support global climate action under the United Nations Framework Convention on Climate Change (UNFCCC), fulfill its obligations under the Paris Agreement, and strive to achieve the 1.5 degrees Celsius warming target and the 2050 net zero goal.

Commit to strong climate action and fulfill obligations under multilateral environmental agreements.

Establish the United Kingdom-Singapore Green Economy Framework to accelerate economic growth in the green sector, encourage decarbonization of economic activities, and develop low-carbon energy technologies, green transportation and other projects.

Establish a Green Skills Corridor to cultivate talents in sustainable finance.

[28] https://www.todayesg.com/uk-singapore-collaboration-in-sustainable-finance/

Establish strategic partnerships to accelerate regional investment in sustainable infrastructure and strengthen energy security and resilience.

Promote regional natural and biodiversity achievements, implement the Kunming-Montreal Global Biodiversity Framework, and explore cooperation on blue economy and blue carbon initiatives.

Strengthen Collaboration in Sustainable Finance

The UK Treasury and the Monetary Authority of Singapore plan to continue to strengthen collaboration in sustainable finance in the following three areas:

Developments in transition planning: Comparable and complete transition plans are critical to scaling up transition financing. The UK updates its progress on the Transition Plan Taskforce disclosure framework following its publication last October. The Monetary Authority of Singapore shares its consultation paper on Transition Planning Guidelines to help financial institutions manage the expected impacts of transition and global warming. The two parties also discuss works by the Financial Stability Board, the Basel Committee's Task Force on Climate-related Financial Risks, the International Organization of Securities Commissions and the Network of Central Banks and Supervisors for Greening the Financial System.

Disclosure standards, ESG ratings and data products: The UK and Singapore reaffirm their commitment to implement the International Sustainability Standards Board’s sustainability standards to improve sustainability disclosures consistency, comparability and reliability. HM Treasury provides information on the Sustainability Disclosure Requirements. Both parties discuss about the voluntary code of conduct for ESG ratings and data products provides, and plan to strengthen cooperation through IOSCO’s Sustainable Finance Taskforce.

Sustainable infrastructure and investment: The UK and Singapore believe that Asia has a large funding gap in green and transition financing, and plan to cooperate to develop and fund green finance and energy transition projects in the region and mobilize private capital. The Monetary Authority of Singapore introduces Financing Asia’s Transition Partnership, which brings together public, private and philanthropic sector partners to finance transition and marginally bankable green projects in Asia.

China Releases Draft of General Standards for Corporate Sustainable Disclosure[29]

General Standards for Corporate Sustainable Disclosure

The Ministry of Finance of China releases draft of general standards for corporate sustainable disclosure, aiming to establish a sustainable disclosure standards system for enterprises and solicit opinions from stakeholders.

The general standards for corporate sustainable disclosure are based on the General Requirements for Disclosure of Sustainability-related Financial Information (IFRS S1) previously issued by the International Sustainability Standards Board (ISSB) and are adjusted in light of the current situation of China's corporate sustainable information disclosure.

Corporate Sustainable Disclosure System

China's corporate sustainable disclosure system will include three parts, namely general standards, specific standards and application guidelines. The general standards will standardize the concepts, principles, methods, objectives of corporate sustainable information disclosure, and provide guidance for the formulation of other standards. Specific standards will propose disclosure requirements for specific environmental, social and governance topics, such as climate, water resources, biodiversity, supply chain management, business behavior. The application guidelines will include industrial application guidelines and standard application guidelines, providing explanations for sustainable information disclosure and disclosure practices in specific industries.

China plans to issue basic sustainable disclosure standards and climate-related disclosure standards in 2027 and establish a complete sustainable disclosure standards system in 2030. This draft of general standards for corporate sustainable disclosure provides one month for feedback.

[29] https://www.todayesg.com/china-general-standards-for-corporate-sustainable-disclosure/

Background of General Standards for Corporate Sustainable Disclosure

The general standards for corporate sustainable disclosure believe that corporate information disclosure needs to meet the information needs of other stakeholders such as investors, creditors, and regulators, and comply with the principle of double materiality, taking into account the impact of sustainable risks and opportunities on the company, as well as the impact of the company on the environment and society. The general standards introduce the governance, strategy, risk management, indicators and target frameworks developed by the Task Force on Climate-related Financial Disclosures (TCFD) to reduce the burden of sustainable disclosure on companies and align with international standards.

Considering the current development of sustainable disclosure of Chinese companies, the general standards will first be applied as voluntary standards and gradually expand to mandatory disclosure in the future. The initial scope of application is qualitative requirements for listed companies and large companies, and will develop into quantitative requirements for non-listed companies and small and medium-sized enterprises in the future. The standards believe that companies should use methods that match their capabilities and resources, consider cost-effectiveness and operability issues, and ensure the quality of sustainable information.

Contents of General Standards for Corporate Sustainable Disclosure

The general standards for corporate sustainable disclosure put forward some requirements for the quality of sustainable information, such as the reliability, relevance, comparability, verifiability, comprehensibility and timeliness of information. The reporting period of sustainable information disclosure should be consistent with the reporting period of the financial statements, and sustainable information should be disclosed at least on an annual basis. Interim disclosure is also encouraged for simplified sustainable information. In addition to the initial disclosure, companies should include comparable values in the disclosure.

The general standards also make requirements for the form of corporate sustainable information disclosure. Before the release of the standards, there are two forms of corporate sustainable development reports: one is a separate release and the other is a release as part of the financial report. The general standards require that companies should publish separate sustainable development reports, which can be disclosed to the public at the same time as the financial statements or disclosed before the specified date. Companies need to publish sustainable development reports on their official websites or in other public ways.