TodayESG

2024Q4 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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How to Report Based on ISSB Standards? Interpretation of IFRS Voluntary Application Guide for Enterprises[1]

IFRS Voluntary Application Guide for Enterprises

IFRS releases voluntary application guide of ISSB standards for companies, aimed at helping them communicate sustainability related financial information with stakeholders when applying IFRS S1 and IFRS S2.

IFRS encourages companies to apply IFRS S1 and IFRS S2 to disclose sustainability related risks and opportunities in order to meet the requirements of investors, financial institutions, and regulators. The voluntary application guide is not part of the IFRS standards, nor will it add or modify the contents of IFRS S1 and IFRS S2. Its legal effect is also lower than the regulations by jurisdictions.

Reporting that Complies with ISSB Standards

IFRS considers that a company can only declare compliance with ISSB standards if it meets all the requirements of IFRS S1 and IFRS S2. There are differences in information disclosure data and processes among different enterprises, so it may be necessary to meet ISSB standards in stages. Enterprises can explain the extent to which they apply ISSB standards in sustainable information disclosure in order to improve transparency in reporting.

The ISSB standard provides some transition reliefs to reduce the reporting. These reliefs include:

Climate first reporting: IFRS S1 requires companies to disclose climate related risks and opportunities only in the first annual reporting period.

Timing of reporting: IFRS S1 allows companies to disclose sustainability related financial statements after the release of financial statements in the first annual reporting period, and subsequently requires simultaneous disclosure.

[1] https://www.todayesg.com/issb-standards-voluntary-guide-for-enterprises/

Comparative disclosures: Companies may not be required to disclose comparative information during the first annual reporting period of applying IFRS S1 and IFRS S2.

Greenhouse Gas Protocol: IFRS S2 allows companies to use Greenhouse Gas Protocol systems for measuring carbon emissions in the first annual reporting period.

Scope 3 GHG emissions: Companies are not required to disclose Scope 3 carbon emissions data in the first annual reporting period.

In addition to the transition reliefs, ISSB has also introduced a proportional mechanism, which allows companies to use qualitative methods instead of quantitative methods in some disclosures. This mechanism is always available to assist companies that are subject to skill, ability, and voluntary limitations. Enterprises can still demonstrate compliance with ISSB guidelines when applying the proportional mechanism. However, the proportional mechanism is only applicable to information disclosure in certain scenarios and may not be applicable for all indicators.

Differences between ISSB Standards and Sustainable Disclosure Framework

Prior to the release of the ISSB standards, some companies already use sustainable disclosure frameworks to disclose information. These sustainable disclosure frameworks include TCFD recommendations, SASB standards, and CDSB frameworks. If the enterprise already adopts these frameworks, it has made some progress in complying with ISSB standards, but it still needs to evaluate the differences between ISSB standards and sustainable disclosure frameworks.

IFRS S1 requires companies to use SASB standards as a source of guidance when identifying sustainability related risks and opportunities beyond climate related risks and opportunities. IFRS S2 also refers to climate related themes and indicators in SASB standards. Enterprises that conduct information disclosure based on SASB may already be prepared to disclose based on ISSB standards. In addition, IFRS S2 fully adopts the TCFD recommendations, and companies can provide additional disclosures in the TCFD report to explain the progress of IFRS S2.

In addition to SASB standards, companies can also consider some thematic disclosure frameworks, such as CDSB water resources disclosure framework and biodiversity disclosure framework. These CDSB frameworks provide environmental and social information disclosure, laying the foundation for companies to comply with IFRS S1 and IFRS S2. The ISSB standards also incorporate the concept of the IRF, and sustainability related risks and opportunities disclosed based on IFRS S1 and IFRS S2 can be included in the comprehensive report under IRF.

IAASB Releases International Standard on Sustainability Assurance ISSA 5000[2]

International Standard on Sustainability Assurance ISSA 5000

The International Auditing and Assurance Standards Board (IAASB) releases the International Standard on Sustainability Assurance (ISSA 5000), aimed at improving the quality and consistency of global sustainability information disclosure.

The IAASB believes that stakeholders' requirements for sustainable information are constantly increasing, and jurisdictions such as the EU have established mandatory assurance requirements to improve the quality of sustainable disclosure.

Background of International Standard on Sustainability Assurance

In September 2022, the International Auditing and Assurance Standards Board issued a project proposal to develop a sustainability report assurance standard that meets the needs of stakeholders and applies to information disclosure on all sustainability topics. In August 2023, the IAASB released the Exposure Draft of Proposed ISSA 5000, soliciting opinions from market participants.

In the process of developing international standards for sustainability assurance, the International Auditing and Assurance Standards Board referred to the following standards:

Timelines: Focus on identified market demand while considering assurance quality.

Relevance: Focus on emerging issues and the needs of stakeholders, as well as sustainable and verified environmental changes.

Comprehensiveness: Focus on the degree to which exceptions to the assurance standards are addressed.

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[2] https://www.todayesg.com/international-standard-on-sustainability-assurance/

Implement ability: Focus on the assurance requirements of different.

Enforceability: Focus on the responsibility of practitioners in sustainability assurance.

Scalability: Focusing on the adaptability of companies of different sizes and complexities.

Introduction to International Standard on Sustainability Assurance

The International Standard on Sustainability Assurance involve the assurance of sustainable information, which refers to information related to sustainable matters, including different themes (climate, biodiversity, labor) and various aspects (risks, opportunities, indicators, and goals). The International Standard on Sustainability Assurance applies to all types of sustainable information and to all types of companies, and is capable of handling reasonable assurance and limited assurance.

Practitioners are required to apply ISSA 5000 to conduct business by December 2026. When conducting sustainable assurance services, practitioners need to confirm whether there are material errors in sustainable information, and express the conclusion of sustainable assurance (reasonable assurance or limited assurance) through a written report, and describe the basis of the conclusion. When unable to obtain a conclusion, practitioners may abandon the conclusion or withdraw from the business and take action in accordance with applicable regulatory policies.

Before conducting assurance services, practitioners need to comply with ISSA 5000 and accept or continue to be employed by the company if they meet the conditions. The person in charge of the assurance project needs to meet certain standards and fully and appropriately participate in the entire project, guide and supervise the assurance work, and assume overall responsibility. Practitioners need to communicate with the company management in a timely manner, record the basis of the assurance report, and organize these documents as work records.

When conducting assurance services, practitioners need to understand the scope of sustainable information and which sustainable information needs to be certified. Subsequently, practitioners need to discuss the terms of the assurance business with the company, such as objectives, scope, boundaries, standards, etc. Subsequently, practitioners need to obtain sufficient and appropriate evidence in order to assess whether there are material misstatements in sustainable information. Practitioners need to develop risk management procedures based on reasonable or limited assurance standards to address the risk of material misstatement. Practitioners can also obtain necessary information from the company's management and other employees.

After the completion of the assurance business, practitioners need to form an assurance conclusion, stating whether there is no material misstatement of sustainable information due to fraud or error, and prepare an assurance report. The assurance report needs to clearly state in written form the reasonable or limited assurance conclusions of practitioners regarding sustainable information.

Net Zero Asset Owner Alliance Calls on Countries to Address Systemic Climate Risks[3]

Address Systemic Climate Risks

The Net Zero Asset Owner Alliance (NZAOA) releases a document calling on countries to take action to address systemic climate risks and accelerate the global net zero transition.

The Net Zero Asset Owner Alliance is composed of 88 institutional investors, with a cumulative asset management scale of $9.5 trillion. These investors have committed to decarbonizing their asset composition by 2050 and are closely monitoring the impact of climate on their business.

Necessity of Taking Actions to Address Climate Risks

The World Meteorological Organization believes that the global average temperature over the past decade has been 1.2 degrees Celsius higher than the average temperature from 1850 to 1900. 2023 is the year with the highest global temperature since 1850, and may also be the hottest year in the past 100000 years. Scientific research related to climate tipping points indicates that a temperature rise exceeding 1.5 degrees Celsius may lead to irreversible impacts. These critical points may form a tipping cascade, accelerating global warming. The current cost of mitigating and adapting to climate change is far lower than the impact of inaction.

According to current policies, global temperatures are expected to rise by 2.4 to 2.6 degrees Celsius by the end of this century. Based on the current trend of carbon emissions, the global warming limit of 1.5 degrees Celsius may be exceeded within the next decade. In order to address climate change and reduce the risks faced by the economy and financial system, the world needs to take action to accelerate the response to systemic climate risks.

Recommendations by Net Zero Asset Owner Alliance

In recent years, more policies are being implemented globally towards net zero emissions, which can help institutional investors price and assess

[3] https://www.todayesg.com/nzaoa-address-systemic-climate-risks/

climate risks more accurately. As the next round of Nationally Determined Contributions under the Paris Agreement expires in 2025, policymakers need to continue committing to and implementing actions that align with the 1.5 degree Celsius warming pathway to reduce systemic climate risks and provide certainty and stability for investors' businesses.

The Net Zero Asset Owner Alliance calls on countries to take the following actions:

Take systematic measures to increase the supply of low emission and zero emission energy, considering the impact of low-carbon transition on labor force.

Design and implement appropriate and fair carbon pricing mechanisms, which are aligned with the Paris Agreement.

Implement a clear transition framework, provide net zero targets, action plans, and commitments, and increase net zero investment.

Expand the scale of mixed financing and promote global capital flows to emerging markets and developing economies that are vulnerable to the impacts of climate change.

UN Principles for Responsible Investment Releases Priorities for COP16 Biodiversity[4]

Priorities for COP16 Biodiversity

The United Nations Principles for Responsible Investment (UNPRI) releases priorities for COP16 biodiversity, aimed at introducing key policies and recommendations for the COP16.

The United Nations Principles for Responsible Investment believes that the Convention on Biological Diversity (CBD) and the UN Framework Convention on Climate Change (UNFCCC) will help countries fully consider the relationship between nature and climate and take actions.

Key Themes of COP16 Biodiversity

COP16, the 16th Conference of the Parties to the Convention on Biological Diversity, will be held in October 2024 and will focus on the implementation of the Global Biodiversity Framework proposed at COP15. At COP16, the parties will:

Submit the revised National Biodiversity Strategies and Action Plans, which need to be aligned with the goals in Global Biodiversity Framework.

Review and strengthen the overall resource flow strategy to ensure that parties can achieve the Global Biodiversity Framework through their efforts.

Establish a monitoring mechanism for the Global Biodiversity Framework and conduct a comprehensive review of its effectiveness.

Discuss the implementation of multilateral mechanisms for just and equitable sharing of genetic resources among countries.

Recommendations of UNPRI on COP16 Biodiversity

[4] https://www.todayesg.com/unpri-releases-priorities-for-cop16-biodiversity/

The United Nations Principles for Responsible Investment proposes the following recommendations to the parties of COP16:

The National Biodiversity Strategies and Action Plans should provide a favorable environment for the development of natural goals. The National Biodiversity Strategies and Action Plans should be based on the whole-of-government and whole-of-society approaches proposed in Global Biodiversity Framework, providing assistance to investors in achieving natural goals. Countries need to clarify the relevance of natural issues to businesses and investors, and help them manage and address natural-related issues. Regulators should consider introducing mandatory natural information disclosure rules and due diligence requirements that comply with international standards, as well as developing natural taxonomy and sectoral pathways.

The National Biodiversity Strategies and Action Plans should be implemented in coordination with climate and social goals, and enhance synergies. The parties need to recognize the synergies between nature and climate, integrate National Biodiversity Strategies and Action Plans with Nationally Determined Contributions (NDCs), address forest loss and land degradation issues in an appropriate and equitable manner, expand the deployment and application of natural solutions, and achieve a just transition in economic transition to capture climate and nature co-benefits.

The parties should develop resource flow strategies, promote private natural capital investment, and align the multilateral financial architecture with sustainable development goals. The parties need to expand private sector natural investment through blended financing and insurance mechanisms, identify and reduce financial resources that harm nature and biodiversity (such as subsidies), and strengthen social and environmental protection through alternative policies. Parties should insure a just and equitable process in any reforms of incentives, and also need to focus on the development of emerging market economies and developing economies.

The parties should ensure that the biodiversity monitoring framework is relevant to the financial sector and can provide interoperability for climate financing. The parties should ensure that the indicators and methods of the monitoring framework provide guidance for industry transition and achieve biodiversity goals. Given the close relation between climate and nature issues, the monitoring framework needs to avoid double counting of biodiversity financing and climate financing.

The parties should coordinate efforts to address pollution issues and develop legally binding policies. The parties need to support the transition to a circular economy, set harmonized targets and binding obligations, address natural pollution issues, promote sustainable and equitable economic transition, and optimize the common interests and synergies of biodiversity conservation and climate action.

TNFD Releases Roadmap for Nature-related Data[5]

Roadmap for Nature-related Data

Taskforce on Nature-related Financial Disclosures (TNFD) releases a roadmap for nature-related data, aiming to propose long-term measures to help the market acquire and use nature-related data.

The TNFD believes that the scope and quality of nature-related data are important elements in achieving the Global Biodiversity Framework, and establishing and enhancing the value chain of nature-related data is a priority for businesses to address nature-related risks and opportunities.

Background of Roadmap for Nature-related Data

In September 2023, the TNFD issued disclosure recommendations to provide a framework for enterprises and financial institutions to evaluate and report on natural issues. With the attention of investors, consumers, and other stakeholders, obtaining high-quality, timely, and reliable nature-related data has become a key task of the TNFD. The TNFD has released the TNFD Tools Catalogue, providing the market with an overview of available nature-related data tools.

In 2023, TNFD conducted a study on the Global Nature Data Public Facility to address market failures in providing nature-related data. TNFD finds that an infrastructure that integrates businesses, financial institutions, and data providers can enhance the scope and quality of nature-related data. The infrastructure will promote open access to nature-related data through distributed access and decentralized data exchange, encourage public and private data providers to participate, and align with current nature-related information disclosure standards.

Market Demand for Nature-related Data

The TNFD believes that there are three factors driving the demand for nature-related:

[5] https://www.todayesg.com/tnfd-releases-roadmap-for-nature-related-data/

Investor driven: Asset owners and asset managers are understanding nature-related issues and reviewing the nature-related risk exposures of their investment portfolios in order to mitigate risks.

Voluntary disclosure driven: Numerous international standards for natural and biodiversity information disclosure have established a natural disclosure framework, requiring companies to disclose sustainable risks and opportunities related to nature.

Regulatory driven: Some jurisdictions are developing mandatory disclosure policies for nature related information.

Since 2022, over 240 companies and financial institutions have tested the LEAP method released by the TNFD and obtained the following results:

The market lacks understanding of available nature-related data and requires a significant amount of time to search for and access specific data.

Insufficient location data of nature-related assets affects the evaluation of enterprises and their upstream and downstream value chains.

The existing internal data quantity and quality are insufficient, and there is a lack of enterprise wide data sharing.

There is still room for improvement in the consistency, timeliness, and credibility of existing data.

The paid licensing system has increased the cost of natural assessment for small and medium-sized enterprises.

Introduction to Roadmap for Nature-related Data

Based on the aforementioned research on nature-related data, the TNFD plans to collaborate with the supply and demand sides of nature-related data value chain by 2025, with a focus on the following key areas:

Based on existing scientific and open data standards, define and clarify a set of comprehensive data principles.

Identify and clarify the quality improvement of the nature data value chain that needs to be prioritized and funded.

Explain and test natural data public facility for market participants.

The TNFD has developed a timetable and set a work roadmap for 2025 and 2026. The work route will meet the funding needs of upstream data providers, address the scope and quality gap of critical data, and improve the convenience of downstream users in accessing data. The work route will also focus on the cost issue of using nature related data by enterprises, promote data standardization, and make improvements to third-party audits to improve the quality of information disclosure.

TNFD Releases a Discussion Paper on Nature Transition Plan[6]

Discussion Paper on Nature Transition Plan

The Taskforce on Nature-related Financial Disclosures (TNFD) releases a discussion paper on nature transition plans, aimed at providing guidance for businesses and financial institutions to develop and disclose nature transition plans.

The TNFD believes that nature transition plan is an important approach to achieving the Global Biodiversity Framework and it is a key focus for stakeholders. Some organizations that have already developed climate transition plans are developing natural transition plans to achieve comprehensive planning.

Introduction to the Nature Transition Plan

The TNFD believes that a nature transition plan refers to a part of an organization's overall business strategy, which is based on the organization's goals, actions, accountability mechanisms, and expected resources, responding to and promoting the transition proposed by the global biodiversity framework, in order to reverse biodiversity loss by 2030 and achieve natural restoration by 2050. The TNFD provides steps for identifying and evaluating nature related dependencies, impacts, risks, and opportunities based on the LEAP method:

Locate: Find the place where the organization interacts with nature.

Evaluate: Evaluate an organization's dependence and impact on nature.

Assessment: Measure nature related risks and opportunities.

Prepare: Prepare to respond to and report on substantive natural matters.

The TNFD believes that organizations can use the LEAP approach to first identify natural priorities and develop nature transition plans based on them, and expand coverage and accuracy over time. The Transition Pathway

[6] https://www.todayesg.com/tnfd-releases-paper-on-nature-transition-plan/

Taskforce believes that natural transition programs need to have effective goals, specific action steps, and strong disclosure mechanisms to improve their efficiency.

Contents of the Nature Transition Plan

The TNFD refers to the document of the Glasgow Financial Alliance for Net Zero (GFANZ) and divides the nature transition plan into five parts, namely Foundations, Implementation Strategy, Engagement Strategy, Metrics and Targets, and Governance. The contents of each section are as follows:

Foundation: The basis for an organization to develop a nature transition plan, including the scope of the transition plan, business model, transition financing strategy, and plan priorities.

Implementation strategy: A series of actions developed by the organization for each plan priority, including action plans to achieve the priority, policy conditions developed to support the transition plan, and the impact of the transition plan on products and services.

Engagement strategy: How the organization collaborates with other stakeholders to implement transition plans, including participation from regions, value chains, suppliers, industry partners, and public sector.

Metrics and Targets: Indicators for monitoring the progress of the organizational transition plan, including indicators related to natural dependencies, impacts, risks, and opportunities, as well as indicators used to monitor the implementation progress and performance of the transition plan.

Governance: The governance outcomes established by an organization to achieve natural transition goals, including roles and responsibilities defined for the transition plan, as well as relevant skills and culture.

How to Disclose Nature Transition Plan

The TNFD recommends that organizations disclose any implemented transition plans and how these plans align with the global biodiversity framework. IFRS S1 requires organizations to disclose information on risks and opportunities related to sustainable development. Some regional standards, such as the European Sustainability Reporting Standards (ESRS), also recommend that organizations disclose their biodiversity transition plans. The TNFD, based on the 19 disclosures released by the Transition Path Taskforce, sets the following disclosure elements:

The TNFD divides the above five themes into three parts, namely Ambition, Action, and Accountability. New disclosure elements have been added below each theme, and some inappropriate elements have been removed. Companies can complete disclosures based on these elements, making it easier for stakeholders to monitor the progress.

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ESG Regulation in Europe & America

Canada Plans to Introduce Sustainable Investment Taxonomy[7]

Sustainable Investment Taxonomy

Canada plans to introduce a sustainable investment taxonomy aimed at helping stakeholders identify green and transition economic activities, accelerating private capital investment in sustainable activities, and promoting Canada's achievement of its net zero goal by 2050.

The Canadian government has committed in the Fall Economic Statement of 2023 to developing a sustainable investment taxonomy to meet the net zero investment requirement of CAD 125 billion to CAD 140 billion annually.

Background of Canadian Sustainable Investment Taxonomy

In May 2021, Canadian banks, insurance companies, and pension funds established the Sustainable Finance Action Council (SFAC) with the aim of developing sustainable finance standards for Canada. The Sustainable Finance Action Council has referred to taxonomies developed by other jurisdictions around the world and summarized the following guiding principles:

Usable: Classification can mobilize capital to achieve net zero transition.

Credible: The taxonomy needs to have clear, rigorous, and credible scientific standards that are consistent with the global 1.5 degree Celsius warming target.

Comprehensive: The taxonomy needs to cover transition and green activities that play an important role in mitigating climate change, including high carbon emission industries.

Interoperable: Taxonomies need to be compatible and interoperable with other taxonomies, while reflecting their own economic situation.

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[7] https://www.todayesg.com/canada-introduce-sustainable-investment-taxonomy/

Transparent: Taxonomies need to remain transparent, efficient, and collaborate with key stakeholders like market participants.

Dynamic: The taxonomy needs to have a built-in review process to ensure that it can continuously update in the future.

Holistic: The taxonomy needs to address environmental and social goals without causing significant harm (Do No Significant Harm).

Introduction to Canadian Sustainable Investment Taxonomy

The Canadian Sustainable Investment Taxonomy defines green and transition economic activities as follows:

Green: Activities with low or zero emissions, such as green hydrogen, solar, and wind power generation, as well as their supporting activities. Green activities do not have material Scope 1 and Scope 2 carbon emissions, but have low or zero Scope 3 carbon emissions and will benefit from the development of global net zero economy.

Transition: Decarbonize carbon intensive activities that align with the net zero transition path. The transition activities have material Scope 1 and Scope 2 carbon emissions (but are significantly decreasing), without generating carbon lock-in and path dependence, or facing direct demand side risks.

The Canadian Sustainable Investment Taxonomy will prioritize some high carbon emitting industries, including:

Electricity: Low emission and zero emission power generation, power storage, and grid infrastructure improvement activities.

Transportation: Low emission and zero emission activities for various modes of transportation and infrastructure.

Architecture: Construction, operation, and renovation of low-carbon buildings.

Agriculture: Sustainable agricultural production, decarbonization activities in agricultural production, and sustainable forest management.

Heavy industry: Manufacture of renewable energy equipment and technology, sustainable mining and processing of minerals, sustainable operations in cement and steel industry.

For companies, while complying with the sustainable investment taxonomy, they also need to consider setting net zero targets, formulating transition plans, and disclosing climate-related information. These actions are key to building a sustainable financial market, helping investors reduce portfolio carbon emissions and increase transparency in decision-making. The Canadian government plans to revise the Canada Business Corporations Act to impose climate related financial disclosure requirements on large private companies.

Economic activities that comply with the sustainable investment taxonomy will be eligible for green or transition labels, which can be used to label bonds. The development, implementation, and maintenance of the sustainable investment taxonomy will be the responsibility of external government organizations, in collaboration with stakeholders such as financial market participants, industries, and regulators, to maintain the scientific credibility and good practices of the taxonomy.

UK Releases Consultation on Green Taxonomy[8]

Consultation on Green Taxonomy

The HM Treasury releases a consultation on UK green taxonomy, aimed at soliciting market participants' opinions on green taxonomy and evaluating the impact of implementing green taxonomy on sustainable investment decisions.

The HM Treasury believes that the green taxonomy can define which economic activities support sustainable development goals such as climate and environment, and promote sustainable investment while reducing greenwashing behavior. Currently, about 20 jurisdictions worldwide have implemented their taxonomies, and about 30 jurisdictions are developing taxonomies.

Green Taxonomy and Sustainable Finance Policies

Green taxonomy is an important policy tool in sustainable finance, which can provide users with sustainable information on economic activities. The UK has developed extensive sustainable financial policies aimed at achieving climate adaptive and nature friendly economic transition. The currently announced sustainable finance policies include:

Sustainable disclosure requirements: The UK government plans to require economically influential companies to use the UK Sustainability Reporting Standards for information disclosure, which will be based on the disclosure standards published by the International Sustainability Standards Board (ISSB). The Financial Conduct Authority (FCA) in the UK will develop an information disclosure consultation to strengthen the management of sustainable risks and opportunities by businesses, and support investors' sustainable asset allocation actions.

Transition plan: The UK has developed a transition plan disclosure framework through the Transition Plan Taskforce (TPT) to support net zero transition of businesses. The International Financial Reporting Standards Foundation (IFRS Foundation) has included the Transition Plan Taskforce as part of its sustainable disclosure standards. UK plans to become a global

[8] https://www.todayesg.com/uk-releases-consultation-on-green-taxonomy/

hub for transition financing, and ensure that its regulatory framework is internationally competitive.

Sustainable disclosure and investment labeling: The UK Financial Supervisory Authority has released a sustainable disclosure and investment labeling system aimed at helping investors find sustainable financial products and reduce the risk of greenwashing.

ESG rating regulations: The HM Treasury has released a consultation for ESG rating suppliers, planning to regulate ESG rating products, improve information transparency, and meet investor requirements.

Design and Use of Green Taxonomy

The HM Treasury plans to attract capital inflows into key areas of transition through green taxonomy and reduce market greenwashing risks. The uses of green taxonomy include providing consistent comparisons, supporting investors in engagement and stewardship, and disclosing sustainable product development. The HM Treasury is referring to Singapore's traffic light taxonomy method and the EU's threshold taxonomy method to try to include transition activities in the taxonomy system, in order to help companies raise funds. The Climate Change Committee predicts that the UK will need an additional £ 50 billion in transition investment annually by 2030.

The HM Treasury believes that international interoperability is an important factor in the UK Green Taxonomy, which will use internationally recognized concepts and methods and include scientific indicators to maintain consistency with other existing taxonomies. Currently, most taxonomies focus on environmental indicators such as climate change, biodiversity, circular economy, and water resources. In the controversial field of nuclear energy, the UK plans to classify it as green energy.

With the development of the UK's net zero transition, the taxonomy system may adjust some basic standards of economic activities to keep pace with scientific, technological, and policy developments. Most jurisdictions plan to update their taxonomies every three years, while the UK plans to update its taxonomy within a similar time frame, adding new economic activities or industry standards. The HM Treasury plans to solicit stakeholders' opinions on the design and use of green taxonomy from November this year to February next year, and lists a list of questions for response.

Eurosif Releases Sustainable Investment Regulatory Roadmap[9]

Sustainable Investment Regulatory Roadmap

The European Sustainable Investment Forum (Eurosif) releases a sustainable investment regulatory roadmap, aimed at analyzing European sustainable finance policies and providing recommendations for promoting sustainable investment.

The Eurosif believes that the European regulations has improved transparency in sustainable information disclosure and facilitated sustainable investment flows. Regulators need to continue to improve the regulatory framework to ensure its effective implementation.

Sustainable Development and Sustainable Investment

The Eurosif believes that the EU has suffered losses of over 170 billion euros due to the impact of climate change in the past five years, and this number may rise to 2.4 trillion euros in the next thirty years. Therefore, mitigating climate change is crucial. The EU needs to accelerate its net zero transition, enhance long-term economic competitiveness, and promote sustainable development. Sustainable development includes identifying and managing sustainable risks and opportunities (financial materiality), as well as addressing the environmental and social impacts of economic activities (impact materiality).

The EU expects to require an additional investment of 700 billion euros annually before 2030 to achieve climate goals, with 80% of the investment coming from the private sector, so asset owners and managers need to play an important role. These investors have begun to establish investment portfolios through impact investing, thematic investing, ESG integration, and other methods, and influence the business activities of investees through engagement. These methods can expand the scale of sustainable investment and provide positive assistance for sustainable development.

[9] https://www.todayesg.com/eurosif-sustainable-investment-regulatory-roadmap/

EU Sustainable Financial Regulatory Framework

Since the release of the Sustainable Finance Action Plan in 2018, the EU has formulated a series of regulatory policies to guide economic transition and manage sustainable risks. Most regulatory policies focus on increasing transparency among different participants in the investment chain, such as the Sustainable Finance Disclosure Regulation (SFDR) which requires asset managers to provide financial product information disclosure, and the Corporate Sustainability Reporting Directive (CSRD) which requires large EU companies to disclose sustainability risks and impacts.

Some regulatory policies provide funding allocation standards for sustainable activities, such as the EU Taxonomy which defines sustainable economic activities, and the EU Green Bond Standard which provides sustainable financial instruments for investors. These regulatory policies need to be consistent to promote sustainable financial development. For some early-stage regulatory policies, the EU also needs to correctly evaluate their costs and benefits, and provide application guidance.

Sustainable Investment Regulatory Roadmap Introduction

In order to improve the EU's sustainable financial regulatory framework and expand the scale of sustainable investment, Eurosif proposes a sustainable investment regulatory roadmap, providing recommendations to regulators from the following perspectives:

Clear definition of investments that contribute to a just and sustainable economic transition: The current EU regulatory framework for sustainable finance does not fully define sustainable investment, transition investment, and impact investment, which should have clearer definitions. In addition, the EU should establish social investment standards to accelerate fair transition and prevent greenwashing.

Strengthen and improve investor tools to expand the scale of sustainable finance: Investor tools are typically used to make sustainable investment decisions and evaluate performance, including sustainable benchmarks and standards. The EU should establish new sustainable development benchmarks, review existing climate benchmarks, and improve the EU's classification criteria for sustainable economic activities.

Promote investor engagement and incentivize sustainable transition of enterprises: Active management is an important method for investors to support investees. The EU can review the Shareholder Rights Directive to ensure that shareholders can communicate with enterprises on key sustainable issues and encourage participation in activities.

Ensure the quality of sustainable information disclosure: High quality sustainable information disclosure is crucial for investment decisions, and the EU needs to ensure the correct implementation of the European Sustainability Reporting Standards (ESRS), improve consistency in information disclosure, and achieve interoperability between EU and non-EU sustainability standards.

Encourage investors to participate in a just transition: The EU can simplify the disclosure rules for financial products, help investors understand sustainable products, and provide training for financial practitioners to correctly propose sustainable investment recommendations.

ESG Regulation in Asia

Australian Securities and Investments Commission Releases Consultation Paper on Sustainability Reporting[10]

Consultation Paper on Sustainability Reporting

Australian Securities and Investments Commission (ASIC) releases a consultation paper on sustainability reporting, aimed at providing guidance for businesses that need to prepare sustainability reports.

In August 2024, the Australian Senate passed a mandatory climate-related financial disclosure bill, requiring eligible large corporations and asset owners to disclose climate information.

Background of Sustainability Reporting

In September 2024, the Australian Parliament incorporated sustainability reporting requirements into the Companies Act, requiring businesses to prepare sustainability reports in accordance with the standards set by the Australian Accounting Standards Board (AASB). The goal of a sustainable reporting regime is to improve the quality, consistency and comparability of corporate climate-related financial disclosures. Currently, sustainable reporting needs to include the following:

Climate statements for the year.

Notes to the climate statements for the year.

Directors' declaration about the climate statements and notes.

The climate statement will be based on the Australian Sustainability Reporting Standard AASB S2 climate related disclosures issued by the Australian Accounting Standards Board (AASB), which is based on IFRS S1 and IFRS S2 issued by the International Sustainability Standards Board (ISSB). The consultation paper released by the ASIC will help companies comply with sustainability disclosure requirements.

[10] https://www.todayesg.com/asic-consultation-on-sustainability-reporting/

In terms of sustainability report preparation, the ASIC will focus on:

Entities that must prepare a sustainability report: Requirements for implementing sustainability reports for each batch of enterprises, how enterprises determine their compliance with sustainability reporting thresholds, and reporting requirements for enterprises within the group.

Sustainable records, directors' duties, and modified liability: The company must maintain sustainable records, the responsibilities of directors in preparing sustainability reports, and the liabilities after the 2028 sustainability report revision.

In terms of sustainability report contents, the ASIC will focus on:

Statements about no climate risks and opportunities: Documents that companies need to prepare when they believe there are no substantial climate risks and opportunities.

Statements with forward-looking climate information: Basic methods, assumptions, and evidence of the company regarding forward-looking statements.

Cross-referencing in sustainability reports: Documents that companies need to submit when cross referencing.

Labelling: How companies label sustainability reports, climate statements, and other documents.

Notes to climate statements: Whether it is necessary to add notes to the climate statement.

Proportionality mechanisms and exceptions under AASB S2: Enterprises need to prove that they comply with the proportion mechanism of AASB S2.

In terms of sustainable financial disclosure beyond sustainability reporting, the ASIC will focus on:

Sustainability-related financial disclosures outside the sustainability report.

Sustainability-related financial disclosures in the Operating and Financial Review (OFR).

Sustainability-related financial disclosures in prospectuses and other documents.

Sustainability-related financial disclosures in the Product Disclosure Statements (PDS).

In terms of sustainable reporting management, the ASIC will focus on:

Guidance on how ASIC will approach sustainability reporting and audit relief.

Relief for stapled entities.

Wholly-owned companies.

Extending the relief in other ASIC instruments.

Use of ASIC's directions power.

Review of sustainability reports and ASIC's approach to enforcement.

The ASIC is soliciting stakeholders' opinions on potential compliance costs, competitive impacts, and other cost and benefit information in the consultation paper. Stakeholders can submit their responses by December 19th. The ASIC will officially launch its sustainability reporting regulatory guidelines in the first quarter of 2025.

Hong Kong Releases Roadmap on Sustainability Disclosure[11]

Roadmap on Sustainability Disclosure

Hong Kong releases a roadmap on sustainability disclosure, aimed at outlining its plan to fully apply ISSB standards in the coming years and build Hong Kong into an international hub for green and sustainable finance.

In the 2023 Policy Address, the Hong Kong government announced the development of a roadmap on sustainable disclosure. In 2024, Hong Kong released the Green Future Plan and planned to officially release the roadmap within the year.

Hong Kong Sustainability Disclosure Standards

In September 2024, the Hong Kong Institute of Certified Public Accountants (HKICPA) released a draft for soliciting opinions on the Hong Kong sustainability disclosure standards. Based on the International Sustainability Standards Board (ISSB) standards, the draft includes the Exposure Draft HKFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and the Exposure Draft HKFRS S2 Climate-related Disclosures.

The HKICPA believes that as of September 2024, more than 30 jurisdictions worldwide have incorporated the ISSB standards into their sustainable disclosure frameworks. Hong Kong sustainability disclosure standards based on the ISSB standards can be consistent with international standards, while maintaining interoperability with the climate information disclosure guidelines issued by the Hong Kong Exchange. The HKICPA will release the official version of sustainability disclosure standards before the end of the year, which will come into effect in August 2025.

Application of Sustainability Disclosure Standards

[11] https://www.todayesg.com/hong-kong-roadmap-on-sustainability-disclosure/

Hong Kong will apply the sustainability disclosure standards in stages. The first entities to be included in the regulatory scope are Publicly Accountable Entities, which refer to large listed companies in Hong Kong and influential large non-listed financial institutions.

For large listed companies in Hong Kong, the Hong Kong Exchange issued climate information disclosure guidelines in April 2024, requiring all main board issuers to disclose information based on the principle of Comply or Explain, starting from January 2025. Starting from January 2026, large listed companies must implement mandatory disclosure in accordance with guidelines. In 2027, the Hong Kong Exchange will conduct another market consultation on climate information disclosure issued by large listed companies, in order to require the first batch of listed companies to disclose based on the Hong Kong sustainability disclosure standards in 2028.

For large non-listed financial institutions, regulatory agencies such as the Hong Kong Monetary Authority (HKMA) will introduce industry regulatory requirements related to climate and other sustainable development entities in the future, and these institutions will also disclose based on the Hong Kong sustainability disclosure standards no later than 2028.

Hong Kong Sustainability Disclosure Ecosystem

Hong Kong plans to establish a sustainability disclosure ecosystem from the following perspectives to ensure the smooth application of sustainability disclosure standards:

Sustainability Assurance: The International Auditing and Assurance Standards Board (IAASB) released the International Standard on Sustainability Assurance 5000 (ISSA 5000) in November 2024. The HKICPA plans to develop Hong Kong sustainability assurance standards based on it and publish them by the end of 2025. The Hong Kong Accounting and Financial Reporting Council plans to conduct a public consultation on the regulatory framework for sustainability assurance by 2025, to promote the development of sustainability assurance system.

Data and Technology: In February 2024, Hong Kong Green Week released the Hong Kong Green Fintech Map, providing information on green fintech companies. In May 2024, the HKMA released the Sustainable Finance Taxonomy, which provides a definition of green economic activities. In June 2024, Hong Kong launched the Green and Sustainable

Fintech Proof of Concept Funding Support Scheme to promote the research and application of green fintech solutions. Hong Kong plans to continue improving sustainable data quality, enhancing data utilization efficiency, and expanding the application scope of taxonomy.

Skills and Competencies: Hong Kong plans to train professionals in the sustainable finance industry through seminars and support sustainable finance training through initiatives such as the Pilot Green and Sustainable Finance Capacity Building Support Scheme.

HKEX Releases 2024 ESG Disclosure Report of Listed Companies[12]

2024 ESG Disclosure Report of Listed Companies

HKEX releases 2024 ESG Disclosure Report of Listed Companies, aimed at analyzing their environmental, social, and governance information disclosure based on ESG Reporting Code.

HKEX stipulates 12 environmental and social disclosure issues in the ESG Reporting Code, requiring listed companies to disclose based on the principle of Comply or Explain.

Overview of ESG Disclosure of Listed Companies

The HKEX reviews ESG reports released by 2489 listed companies in 2024, a fivefold increase compared to 2022. The ESG reporting standards stipulate disclosure at four environmental issues and eight social issues. Except for the Labor Standards at the social level, the disclosure ratios of the remaining 11 levels are all greater than 91%, with high disclosure ratios for climate change (99%) and environment and natural resources (98%).

In terms of climate related disclosures, the HKEX requires all large cap issuers to comply with climate related disclosure guidelines starting from 2026. This survey shows that all large cap issuers have already mentioned the international climate disclosure framework, with a high proportion of Taskforce on Climate-related Financial Disclosures recommendations (70%), Global Reporting Initiative guidelines (66%), and International Sustainability Standards Board standards (34%).

In terms of climate scenario analysis, 80% of large cap issuers have conducted scenario analysis, and over 70% have used scenario analysis to assess climate related risks. In terms of greenhouse gas emissions, all large cap issuers have disclosed Scope 1 and Scope 2, with 50% disclosing Scope 3. In terms of activities covered by Scope 3, business travel (69%), purchasing products and services (67%), and waste generated during operations (62%) account for a relatively high proportion. The disclosure proportion of downstream activities is generally low, which may be due to

[12] https://www.todayesg.com/hkex-esg-disclosure-report-of-listed-companies/

the lack of information on the use of customer products and services by large cap issuers.

Among the disclosure items at four environmental levels, 94% of large cap issuers have set qualitative targets and 50% have set quantitative targets. In terms of quantitative goals, the majority of time frames are within 5 years, with a few exceeding 10 years. These disclosure times are closely related to the jurisdiction where the issuer is located, with mainland China and Hong Kong planning to achieve carbon neutrality by 2060 and 2050, respectively.

HKEX's Recommendations on ESG Disclosure

The HKEX provides the following recommendations for ESG information disclosure of listed companies:

Understand climate regulations: Listed companies should read and master climate information disclosure guidelines and other relevant materials.

Implement gap analysis: Listed companies need to evaluate whether there is room for improvement in the existing ESG information disclosure process.

Consider whether resources are sufficient: Listed companies need to plan internal resources and hire ESG experts if needed.

Collaborate with value chain partners: Listed companies need to collaborate with value chain partners to collect data and develop infrastructure.

The HKEX plans to continuously review ESG reports of listed companies and provides guidelines and training in the future.

Hong Kong Monetary Authority Releases Sustainable Finance Action Agenda[13]

Sustainable Finance Action Agenda

The Hong Kong Monetary Authority (HKMA) releases the Sustainable Finance Action Agenda, aimed at consolidating Hong Kong's position as a sustainable financial center and supporting sustainable development in Asia.

The Sustainable Finance Action Agenda is divided into four aspects, each of which includes two goals. The Hong Kong Monetary Authority proposes specific plans for each target.

Banking for Net Zero

Goal 1: All banks aim to achieve net zero emissions in operations by 2030 and in financing by 2050. The banking industry plays an important role in the transition to a low-carbon economy and needs to reduce carbon emissions in its operations and financing processes. The Hong Kong Monetary Authority will provide guidance on climate scenario analysis and risk management tools for banks, incorporate climate factors into regulatory review procedures, and support banks in developing transition plans. The Hong Kong Monetary Authority will also develop climate targets for banking operations based on the Science Based Targets Initiative.

Goal 2: All banks increase transparency on climate related risks and opportunities. Banks can help stakeholders understand the climate related risks and opportunities by disclosing sustainable development information. The Hong Kong Monetary Authority plans to develop a timetable to assist banks in disclosing based on the ISSB Standards and the Basel Committee's Pillar 3 framework for climate related financial risks.

Investing in a Sustainable Future

Goal 3: The foreign exchange fund investment portfolio aims to achieve net zero emissions by 2050 or earlier. The foreign exchange fund will

[13] https://www.todayesg.com/hkma-releases-sustainable-finance-action-agenda/

prioritize ESG investments in order to contribute to a sustainable economy, and since 2017, the weighted carbon density of the foreign exchange fund's stock investment portfolio has decreased by 46%. The Hong Kong Monetary Authority will continue to expand the scope of sustainable investment, incorporate ESG factors into investment decisions, and pay special attention to climate change and transformation issues. The weighted carbon density of the foreign exchange fund's stock investment portfolio is planned to decrease by 67% by 2030.

Goal 4: Support Asia's transition through investment. The low-carbon transition in Asia requires a large amount of capital, and the Hong Kong Monetary Authority plans to invest in various activities that play a key role in economic transition, such as renewable energy and sustainable transportation. In addition, the Hong Kong Monetary Authority will establish a fund for low-carbon transition in Asia, prioritizing investment opportunities that have a positive impact on Asia's transition.

Financing Net Zero

Goal 5: Build Hong Kong into the preferred sustainable development financing platform in Asia and globally. The Hong Kong Monetary Authority plans to provide funding to issuers, continue to leverage the role of the government's sustainable bond program, encourage more institutions to choose green financing, and achieve the goal of sustainable bonds accounting for one-third of the total bond issuance.

Goal 6: Catalyze sustainable financial innovation. The Hong Kong Monetary Authority plans to leverage Hong Kong's financial technology and sustainable financial center status to encourage innovation in the financial market, such as providing funding for digital green bond issuers, encouraging companies to develop sustainable technologies, and promoting the development of local sustainable ecosystems.

Making Sustainability More Inclusive

Goal 7: Support high-quality and comprehensive sustainable disclosure. Sustainable disclosure is the foundation of sustainable finance. The Hong Kong Monetary Authority will collaborate with the Green and Sustainable Finance Cross Agency Steering Group to provide more climate disclosure tools and work with industry organizations to provide sustainable disclosure training. The Hong Kong Monetary Authority will also provide high-quality sustainability disclosures based on global standards.

Goal 8: Fill the talent and knowledge gap in sustainable finance. The Hong Kong Monetary Authority will provide diversified training, conferences, and seminars to cultivate sustainable finance talents. For example, the Hong Kong Monetary Authority will launch Professional Level Enhanced Competency Framework for Green and Sustainable Finance, and provide more training programs and courses.

Hong Kong SFC Releases Guidance to Asset Managers Regarding Due Diligence for ESG Products[14]

Guidance to Asset Managers Regarding Due Diligence for ESG Products

The Hong Kong Securities and Futures Commission (HKSFC) releases guidance to asset managers regarding due diligence for ESG products, aimed at providing guidance for the due diligence and ongoing evaluation when applying third-party ESG ratings and data products.

Hong Kong SFC has previously released the Code of Conduct for ESG Ratings and Data Products Providers, providing voluntary compliance guidelines for ESG rating and data product providers.

Regulations on Due Diligence for ESG Products

The Hong Kong SFC requires in the Guidelines on Online Distribution and Advisory Platforms that platform operators must act with appropriate skills, care, prudence, and diligence when selecting, appointing, and continuously monitoring third-party service providers, in order to reasonably satisfy themselves that the information provided by the service providers is accurate and reliable. Asset managers may need to use ESG ratings and data products to prepare investment advice, which also requires compliance with the requirements of the above guidelines.

The Hong Kong SFC believes that asset management companies need to conduct due diligence and continuous evaluation to have a reasonable understanding of the ESG products provided by third-party ESG service providers, including product preparation methods (product data sources, preparation methods, evaluation methods), restrictions, and expected uses of the products. The degree of due diligence and ongoing evaluation should be in line with the impact of the product on the investment and risk management process, and satisfy regulatory expectations.

How to Conduct Due Diligence for ESG Products

[14] https://www.todayesg.com/hk-sfc-guidance-to-due-diligence-for-esg-products/

The Hong Kong SFC recommends that asset management companies refer to the principles of the Code of Conduct for ESG Ratings and Data Products Providers, such as governance, transparency, and conflict of interest management, to conduct due diligence on ESG rating and data product suppliers. The Code of Conduct provides a six-month and 12-month implementation period for ESG rating providers and ESG data product providers. Providers who voluntarily comply with the Code of Conduct will disclose their self-assessment documents on the website of the International Capital Market Association (ICMA). ICMA is responsible for hosting and maintaining the Code of Conduct. Asset management companies can refer to these documents to evaluate whether suppliers meet the requirements.

The Hong Kong SFC believes that all companies engaged in Class 9 regulated activities (providing asset management) and engaged in fund management or discretionary account management should meet regulatory expectations. These companies can implement higher standards than those required in Code of Code to conduct due diligence on suppliers. The management of asset management companies has the responsibility to ensure that their activities comply with the regulations of SFC.

HK SFC Releases Code of Conduct for ESG Ratings and Data Products Providers[15]

Code of Conduct for ESG Ratings and Data Products Providers

The Hong Kong Securities and Futures Commission (HK SFC) officially releases Code of Conduct for ESG Ratings and Data Products Providers, aiming to create a trustworthy, efficient, and transparent ESG rating and data product market.

The Hong Kong Securities and Futures Commission and the International Capital Market Association (ICMA) released a draft Code of Conduct for ESG Ratings and Data Products Providers in May 2024, which referenced relevant recommendations from the International Organization of Securities Commissions (IOSCO).

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

The Code of Conduct for ESG Ratings and Data Products Providers consist of six principles, namely:

Principle on Good Governance: Providers need to establish clear organizational structures, standardize ESG rating and data product personnel roles, in order to comply with the requirements of the code of conduct.

Principle on Securing Quality: Providers are required to provide high-quality ESG ratings and data products, using clear, rigorous, and systematic measurement methods based on publicly disclosed data sources, to conduct comprehensive analysis of ESG ratings and data products, while continuously monitoring and updating relevant methods, and storing internal records.

Principle on Conflicts of Interest: Providers need to identify, avoid, or properly handle substantive and potential conflicts of interest in their business. Providers can establish specific procedures to disclose measures to avoid and manage conflicts of interest, and implement reasonable

[15] https://www.todayesg.com/hk-code-of-conduct-for-esg-ratings-and-data-products/

information reporting and compensation structures to provide product fairness and credibility.

Principle on Transparency: Providers need to ensure that their ESG rating and data product methods are transparent and help stakeholders understand. Providers need to describe the usage goals, criteria, performance, weights, periods, and significance of ratings and data, and provide market trust in ESG ratings and data products.

Principle on Confidentiality: Providers need to properly manage and protect non-public information, establish written policies, procedures, and mechanisms to ensure that non-public information is directed towards ESG ratings and data products.

Principle on Engagement: Providers need to establish policies and procedures related to data collection in order to enhance the efficiency of engagement. Providers need to provide contact information, handle related inquiries, and actively communicate with the information provider during the development of ESG ratings and data products to reduce the risk of incomplete and inaccurate information.

Implementation of Code of Conduct for ESG Ratings and Data Products Providers

The Hong Kong Securities and Futures Commission believes that Code of Conduct for ESG Ratings and Data Products Providers should comply with the provider's own business and structure, and be implemented through voluntary signing. Providers can fill out a self-assessment document stating the actions they have taken based on the code of conduct, and conduct a review at least once a year. After providers submit self-assessment documents to the International Capital Market Association, they need to take action within the prescribed period. The implementation period for ESG rating providers is six months, and for ESG data product providers it is twelve months.

The Hong Kong Securities and Futures Commission has defined situations where compliance with Code of Conduct for ESG Ratings and Data Products Providers is not required, such as:

The provider is a rating company that provides rating services that do not include ESG.

The ESG rating and data products provided by providers are only for internal use.

Providers only provide ESG consulting services and do not offer ESG rating and data product services.

The above three situations are not the focus of the code of conduct, but still require compliance with existing regulatory policies in Hong Kong.

China Releases Pilot Version of Corporate Sustainability Disclosure Standards General Standards[16]

Corporate Sustainability Disclosure Standards General Standards

The Chinese Ministry of Finance releases a pilot version of the Corporate Sustainability Disclosure Standards General Standards, aimed at providing guidance for companies on sustainable disclosure.

In May 2024, the Chinese Ministry of Finance released a draft of the Corporate Sustainability Disclosure Standards General Standards, soliciting opinions from stakeholders on establishing a sustainable disclosure system for Chinese enterprises.

Introduction to Corporate Sustainability Disclosure Standards General Standards

The Corporate Sustainability Disclosure Standards General Standards are part of the Chinese corporate sustainability disclosure standards, which provide a basis for the development of specific standards and application guidelines. The sustainable disclosure system for Chinese enterprises consists of:

General Standards: Provide concept, principles, methods, objectives, and other general requirements for sustainable information disclosure by enterprises.

Specific Standards: Provide requirements for disclosure on sustainable themes related to the environment, society, and governance.

Application Guidelines: Provide explanations and case studies for specific standards to assist enterprises in carrying out information disclosure.

China plans to release the General Standards, Specific Standards and Application Guidelines by 2027, and establish a complete sustainable disclosure system by 2030. Enterprises can voluntarily implement the pilot version of the General Standards released this time.

[16] https://www.todayesg.com/cn-corporate-sustainability-disclosure-standards/

Contents of Corporate Sustainability Disclosure Standards General Standards

The Corporate Sustainability Disclosure Standards General Standards consist of six parts, namely:

General provisions: Stipulate the purpose of formulating General Standards, the system of sustainable disclosure standards, and the relationship between sustainable disclosure and other information disclosures.

Disclosure objectives and principles: Stipulate sustainable information disclosure objectives and explain the materiality principles adopted for sustainable disclosure.

Information quality requirements: Stipulate several quality requirements that enterprises need to meet for sustainable information disclosure, namely reliability, relevance, comparability, verifiability, comprehensibility, and timeliness.

Disclosure elements: Stipulate several elements that a company's sustainable information disclosure should include: governance, strategy, risk and opportunity management, metrics and targets. These elements come from the General Requirements for Disclosure of Sustainability related Financial Information (IFRS S1) published by the International Sustainability Standards Board (ISSB). For each element, the Ministry of Finance provided specific explanations.

Other disclosure requirements: Stipulate the reporting period, comparable information, compliance statement, error correction, disclosure method for the sustainable information disclosure of enterprises. These information are usually applied by companies when publishing sustainability reports after the completion of sustainable disclosures.

Appendix: Stipulate that the Corporate Sustainability Disclosure Standards General Standards shall be interpreted by the Ministry of Finance and other relevant departments. The sustainable disclosure standards will be expanded to include non-listed companies, small and medium-sized enterprises in the future.