



# Snapshot: ESG Regulations

Biannual Update | July 2023

**ESG and impact investing advisory with the goals of value enhancement and risk management.**

Blue Dot Capital is a sustainable finance consultancy. We partner with financial services firms to support the end-to-end development and execution of ESG and impact investing programs, capabilities, and products. Our clients and partners include traditional and alternative investment managers, family offices, and data providers.



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# Introduction

We are pleased to share our 6th biannual 'Snapshot: ESG Regulations' that tracks regulatory developments and proposals across major developed and developing markets. It's been a busy 6 months on the ESG-related regulations front, and we look forward to monitoring the continued momentum and progress. We hope you find this summary a helpful tool to map the progress and evolution of ESG regulations. As always, we look forward to your feedback.

## Key ESG Regulatory Developments

### Launch and Endorsement of ISSB's Global Sustainability Disclosure Standards

In June 2023, the International Sustainability Standards Board (ISSB) issued its **inaugural global sustainability disclosure standards—IFRS S1 and IFRS S2**. IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short, medium, and long term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. Both fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The ISSB will work with jurisdictions and companies to support the adoption of the Standards. The first steps will be creating a Transition Implementation Group to support companies that apply the Standards and launching capacity-building initiatives to support effective implementation<sup>1</sup>. Several regulatory authorities across jurisdictions have already signaled endorsement of the ISSB Standards, including:

- The **Australian Government Treasury** launched a consultation paper in June 2023 on climate-related financial disclosure, as part of which it sought views about the potential implementation of the draft ISSB standards in the Australian context<sup>2</sup>.
- The **UK Government** has asked the UK Endorsement Board (UKEB), the Financial Conduct Authority (FCA), and the Financial Reporting Council (FRC) to engage with ISSB and to respond to its consultations, according to their respective regulatory objectives and functions. As part of the UK's 2023 Green Finance Strategy, the UK Government aims to set up a framework to assess ISSB Standards once published for their suitability for adoption in the UK<sup>3</sup>.
- The **Hong Kong Clearing and Exchange Limited (HKEX)**'s proposed climate-related disclosure requirements – published in April 2023 - are referenced against the IFRS S2 Climate-related Disclosures Exposure Draft published by the ISSB in March 2022, and supplemented or modified based on subsequent deliberations announced by the ISSB<sup>4</sup>.
- The **Monetary Authority of Singapore (MAS)** has been working with the Singapore Exchange and other government agencies to set out a roadmap for key financial institutions and listed companies to make ISSB-aligned disclosures on a risk-proportionate basis<sup>5</sup>.

### ESG Disclosure Regulations

- In June 2023, the European Commission published the first delegated act related to the **European Sustainability Reporting Standards (ESRS)**. The act supplements the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD), which requires large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment. The act sets out cross-cutting standards and standards for the disclosure of ESG information and is open for public consultation until July 7, 2023<sup>6</sup>.

### Global Efforts to Regulate ESG Rating Providers

- As part of its sustainable finance package launched in June 2023, the **European Commission** proposed regulation of ESG rating providers<sup>7</sup>.
- In February 2023, the **Securities and Exchange Board of India (SEBI)** published a consultation paper on establishing a regulatory framework for ESG rating providers<sup>8</sup>.
  - **July update:** On July 5, 2023, SEBI announced that ESG rating services can only be provided by entities that have been certified by SEBI, as per the (Credit Rating Agencies) (Amendment) Regulations, 2023<sup>9</sup>.
- In April 2023, the **MAS** announced that it has been working with the industry to co-create a code of conduct, which will require ESG ratings and data product providers to disclose how transition risks are factored into their products. A public consultation to gather wider feedback will be conducted in the second half of 2023<sup>5</sup>.

# ESG Regulatory Developments Across Jurisdictions

## United States

### Sustainable finance regulations or guidelines

- **US Department of Treasury (Treasury):**
  - **June 2023 | Treasury's Federal Insurance Office (FIO) | Report on insurance supervision and regulation of climate-related risks:** The report, which is in response to President Biden's Executive Order on Climate-Related Financial Risk, assesses climate-related issues and gaps in the supervision and regulation of insurers. FIO sought public input in October 2022<sup>10</sup>.
  - **April 2023 | Treasury's Office of Financial Research | Climate data and analytics hub:** OFR announced that it is developing an expanded and enhanced version of its interagency data-and-analytics platform, following a successful pilot. Announced in July 2022, the pilot hub environment provided select staff from the Federal Reserve Board of Governors and the Federal Reserve Bank of New York with access to public climate data and high-performance computing tools, such as statistical and visualization applications that allowed deeper insight into climate-related financial risks and vulnerabilities<sup>11</sup>.
- **April 2023 | National Credit Union Administration (NCUA) | Request for information on climate financial risk:** NCUA published a request for information seeking comments on current and future climate and natural disaster risks to federally insured credit unions, related entities, their members, and the National Credit Union Share Insurance Fund<sup>12</sup>.
- **February 2023 | The Securities and Exchange Commission's Division of Examinations | 2023 examination priorities:** As part of its 2023 examination priorities, the Division will continue its focus on ESG-related advisory services and fund offerings, including whether funds are operating in the manner set forth in their disclosures. In addition, the Division will assess whether ESG products are appropriately labeled and whether recommendations of such products for retail investors are made in the investors' best interests<sup>13</sup>.
- **January 2023 | Federal Reserve Board (FRB) | Pilot climate scenario analysis exercise:** FRB provided additional details on how its pilot climate scenario analysis exercise will be conducted and the information on risk management practices that will be gathered over the course of the exercise<sup>14</sup>.

## European Union

### European Union Sustainable Finance Action Plan

- **European Commission (Commission):**
  - **June 2023 | Carbon Border Adjusted Mechanism (CBAM):** CBAM aims to put a fair price on the carbon emitted during the production of carbon-intensive goods that are entering the EU and to encourage cleaner industrial production in non-EU countries. The gradual introduction of the CBAM is aligned with the phase-out of the allocation of free allowances under the EU Emissions Trading System (ETS) to support the decarbonization of the EU industry. The Commission published a first call for feedback on the rules governing the implementation of the CBAM during its transitional phase, which starts in October 2023 and runs until 2025. The draft Implementing Regulation – to be adopted in summer 2023 – details the reporting obligations and information sought from EU importers of CBAM goods, as well as the provisional methodology for calculating embedded emissions released during the production process of CBAM goods. In the CBAM's transitional phase, traders will only have to report on the emissions embedded in their imports subject to the mechanism without paying any financial adjustment. The first reporting period for importers ends on January 31, 2024<sup>5</sup>.

- **June 2023 | First set of European Sustainability Reporting Standards (ESRS):** The act supplements the Accounting Directive as amended by the Corporate Sustainability Reporting Directive (CSRD), which requires large companies and listed companies to publish regular reports on the social and environmental risks they face, and on how their activities impact people and the environment. This first delegated act sets out cross-cutting standards and standards for the disclosure of ESG information. The act is open for public consultation until July 7, 2023<sup>6</sup>.
- **June 2023 | Sustainable finance package:** The Commission put forward a new package of measures to build on and strengthen the foundations of the EU sustainable finance framework<sup>16</sup>. Measures include:
  - **EU Taxonomy Delegated Acts:** The Commission approved in principle a new set of EU Taxonomy criteria for economic activities making a substantial contribution to one or more of the non-climate environmental objectives, namely: sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems. To complement this, the Commission adopted targeted amendments to the EU Taxonomy Climate Delegated Act and the EU Taxonomy Disclosures Delegated Act<sup>17</sup>.
  - **Proposal for a regulation of ESG ratings providers:** The proposal aims to enhance the quality of information about ESG ratings, by improving transparency of ESG ratings characteristics and methodologies, and ensuring increased clarity on operations of ESG rating providers and the prevention of risks of conflict of interest at ESG rating providers' level. The proposal is open for feedback until August 2023<sup>7</sup>.
  - **Recommendations on transition finance:** The recommendations aim to show how companies can use the various tools of the EU sustainable finance framework on a voluntary basis to channel the investments into the transition and manage their risks stemming from climate change and environmental degradation<sup>18</sup>.
- **April 2023 | Q&A on Sustainable Finance Disclosure Regulation (SFDR):** In April 2023, the Commission published answers to questions on the interpretation of the SFDR submitted by the European Supervisory Authorities in September 2022<sup>19</sup>. The Commission also published light amendments to the previous two questions and answers (Q&A) it had published in July 2021 and May 2022<sup>20</sup>. A consolidated version of all the three Q&A was published by the European Supervisory Authorities in May 2023<sup>21</sup>.
- **January 2023 | Corporate Sustainability Reporting Directive (CSRD):** CSRD entered into force on January 9, 2023. The first companies will have to apply the new rules for the first time in the 2024 financial year, for reports published in 2025. Companies subject to the CSRD will have to report according to the ESRS. The CSRD also makes it mandatory for companies to have an audit of the sustainability information that they report. In addition, it provides for the digitalization of sustainability information<sup>22</sup>.
- **European Supervisory Authorities (ESAs - European Banking Authority, European Insurance and Occupational Pensions Authority, European Securities and Markets Authority):**
  - **June 2023 | Progress reports on greenwashing in the financial sector:** In these reports, the ESAs put forward a common high-level understanding of greenwashing applicable to market participants across their respective remits – financial markets, banking, and insurance and pensions<sup>23</sup>.
  - **May 2023 | Draft Regulatory Technical Standards (RTS) on the ESG impact disclosure for simple, transparent, and standardized (STS) securitizations under the Securitization Regulation (SECR):** The key proposals included in the technical standards specify ESG disclosures which would apply to STS securitizations where the underlying exposures are residential loans, auto loans, and leases. Following the submission of these RTS, the Commission is expected to endorse the RTS within three months of publication<sup>24</sup>.
  - **April 2023 | Joint consultation on the review of SFDR Delegated Regulation:** The ESAs proposed changes to the disclosure framework to address issues that have emerged since the introduction of SFDR, including additions and refinements to the principal adverse impacts (PAI) indicators, and inclusion of product disclosures regarding decarbonization targets, including intermediate targets, the level of ambition and how the target will be achieved. The ESAs proposed further technical revisions to the SFDR Delegated Regulation by simplifying pre-contractual and periodic disclosure templates for financial products, among others<sup>25</sup>.

- **March 2023 | Joint statement on climate-related disclosure for structured finance products:** Together with the European Central Bank, the ESAs published a joint statement encouraging the development of disclosure standards for securitized assets through harmonized climate-related data requirements<sup>26</sup>.
- **January 2023 | Opinions on the draft ESRS:** The ESAs published opinions on the technical advice on the first set of the draft ESRS, as requested by the Commission<sup>27, 28, 29</sup>.
  - **European Banking Authority (EBA):**
    - **May 2023 | Report on convergence of supervisory practices in 2022:** In the report, EBA noted that environmental and climate risks are increasingly part of the supervisory activities, and competent authorities are still in the process of building up their capacity to review ESG risks<sup>30</sup>.
    - **April 2023 | Consultation paper on draft guidelines on the benchmarking of diversity practices including diversity policies and gender pay gap:** The guidelines cover the collection of data on institutions and investment firms' diversity policies, diversity practices, and the gender pay-gap at the level of the management body under the Capital Requirements Directive (CRD) and the Investment Firms Directive (IFD). The guidelines will include templates and instructions for the collection of diversity data, which currently is foreseen every three years. The consultation runs until July 24, 2023, and the new reporting format is expected to apply for the collection of data in 2025 for the financial year 2024<sup>31</sup>.
    - **February 2023 | Industry survey on green loans and mortgages:** Through the survey, EBA collected input from credit institutions on their green loans and mortgages as well as market practices related to these loans to advise the Commission<sup>32</sup>.
  - **European Insurance and Occupational Pensions Authority (EIOPA):**
    - **April 2023 | Discussion paper on policy options to reduce the climate insurance protection gap:** EIOPA and ECB published a joint discussion paper on how to better insure households and businesses in the European Union against climate-related natural catastrophes such as floods or wildfires<sup>33</sup>.
    - **March 2023 | EIOPA staff paper on nature-related risks and impacts for insurance:** The staff paper describes how nature-related risks can translate into risks for (re)insurers' assets and liabilities, and sets out a framework to identify key areas in supervisory and regulatory activity that require attention when addressing nature-related risks and their impacts on the insurance sector<sup>34</sup>.
    - **February 2023 | Report on the implementation of climate-related adaptation measures in non-life underwriting practices:** The report is the outcome of a pilot exercise on impact underwriting that EIOPA conducted with 31 volunteering insurance undertakings from 14 European countries in 2022. The report assesses the industry's current underwriting practices regarding climate change adaptation and their prudential treatment under Solvency II<sup>35</sup>.
  - **European Securities and Markets Authority (ESMA):**
    - **June 2023 | Call for evidence on sustainability in suitability and product governance:** ESMA launched a call for evidence on integrating sustainability preferences into suitability assessment and product governance arrangements under the Markets in Financial Instruments Directive (MiFID) II<sup>36</sup>.
- **European Central Bank (ECB):**
  - **June 2023 | Paper on enhancing climate resilience of monetary policy implementation in the Euro Area:** ECB extensively reviewed its monetary policy implementation framework in 2020-21 to better account for climate change risks. The paper describes these considerations in detail to provide a holistic perspective of one central bank's climate-related work in relation to its monetary policy implementation framework<sup>37</sup>.
  - **March 2023 | Results of the 2022 climate risk stress test of the Eurosystem balance sheet:** The results of the exercise show that both types of climate risk – transition risk and physical risk – have a material impact on the risk profile of the Eurosystem balance sheet<sup>38</sup>.
  - **January 2023 | First set of climate-related statistical indicators:** ECB published a first set of climate-related statistical indicators covering three areas – experimental indicators on sustainable finance, analytical indicators on carbon emissions financed by financial institutions, analytical indicators on climate-related physical risks<sup>39</sup>.

- **European Financial Reporting Advisory Group (EFRAG):**
  - **March 2023 | Capacity building for the implementation of the first set of ESRS:** The European Commission called on EFRAG – the technical advisor to the European Commission on developing draft ESRS - to prioritize its efforts on capacity building for the implementation of the first set of ESRS over the preparatory work for the draft sector-specific standards. EFRAG is adjusting its workplan to this new priority whilst carrying on under a modified timetable work on sector-specific standards and standards for small and medium enterprises<sup>40</sup>.
  - **March 2023 | Basis for conclusions for the first set of draft ESRS:** EFRAG issued the set of basis for conclusions to complement the first set of draft ESRS<sup>41</sup>.
- **May 2023 | Platform on Sustainable Finance | Response to the call for feedback on the draft Taxonomy Delegated Acts:** The Platform published its opinion on the draft technical screening criteria in the Taxonomy Environmental Delegated Act, the draft amendments to the Taxonomy Climate Delegated Act, and the amendments to the Taxonomy Disclosures Delegated Act<sup>42</sup>.
- **February 2023 | European Council | European Green Bonds (EuGB):** Negotiators of the European Council and the European Parliament reached a provisional agreement on the creation of EuGB. This regulation lays down uniform requirements for issuers of bonds that wish to use the designation 'European green bond' or 'EuGB' for their environmentally sustainable bonds that are aligned with the EU Taxonomy and made available to investors globally. The regulation also establishes a registration system and supervisory framework for external reviewers of EuGB and provides for some voluntary disclosure requirements for other environmentally sustainable bonds and sustainability-linked bonds issued in the EU. The regulation needs to be confirmed by the European Council and the European Parliament, and adopted by both institutions before it is final. It will start applying 12 months after its entry into force<sup>43</sup>.

## United Kingdom

### Sustainable finance regulations or guidelines

- **Financial Conduct Authority (FCA):**
  - **June 2023 | Financial Conduct Authority (FCA) | Review of the Sustainability-Linked Loans (SLL) market:** FCA engaged with a number of stakeholders regarding the SLL market and outlined its concerns and findings<sup>44</sup>.
- **Bank of England**
  - **March 2023 | Report on climate-related risks and the regulatory capital frameworks:** The report sets out the bank's latest thinking on climate-related risks and regulatory capital frameworks and includes updates on: capability and regime gaps; capitalization timelines; and areas for future research and analysis<sup>45</sup>.
  - **March 2023 | Staff paper on climate-related disclosures of UK financial institutions:** The paper shows that climate-related policy communications in the form of regulatory guidance on future mandatory disclosures is associated with a catch-up by firms previously disclosing less<sup>46</sup>.
- **HM Treasury**
  - **March 2023 | 2023 Green Finance Strategy:** The 2023 Green Finance Strategy is an update to the UK's 2019 Green Finance Strategy, incorporating findings from the call for evidence issued by the UK government in 2022. The UK government made several commitments, including the following:
    - Commission an industry-led market review into how the UK can further facilitate transition finance.
    - Become the world's first Net Zero-aligned Financial Centre.
    - Consult on the introduction of requirements for the UK's largest companies to disclose their transition plans if available, supported by the UK government-convened Transition Plan Taskforce (TPT).
    - Set up a framework to assess ISSB standards once published for their suitability for adoption in the UK.
    - Launch a call for evidence on Scope 3 GHG emissions.
    - Update the Environmental Reporting Guidelines, including for Streamlined Energy and Carbon Reporting, which provides voluntary guidance for UK organizations.

- Work with industry partners to improve the approach to climate resilience assessment and disclosure through the development of adaptation metrics and guidance.
- Deliver a UK Green Taxonomy - a tool to provide investors with definitions of which economic activities should be labelled as green. The consultation is expected to begin in autumn 2023<sup>3</sup>.
- **March 2023 | Addressing carbon leakage risk to support decarbonization:** The UK government published an exploratory consultation considering a range of potential policy measures to mitigate carbon leakage risk in the future and ensure UK industry has the optimal policy environment to decarbonize. Potential policies include a carbon border adjustment mechanism, mandatory product standards, and other policy measures to help grow the market for low carbon products, as well as emissions reporting which could support the implementation of potential mitigation policies. The consultation closed in June 2023<sup>47</sup>.
- **Financial Reporting Council (FRC)**
  - **June 2023 | Response to ISSB's exposure draft methodology and request for information on agenda priorities:** FRC published its response to the ISSB consultation on the methodology for enhancing the international applicability of the SASB Standards and SASB Standards Taxonomy updates. FRC also provided comments to the ISSB following the board's recent request for information on agenda priorities<sup>48</sup>.
  - **January 2023 | Update to the 2021 Statement of Intent on ESG:** FRC published its first Statement of Intent on ESG in 2021, which identified underlying issues with the production, audit and assurance, distribution, consumption, supervision, and regulation of ESG information. In January 2023, FRC published an update to its 2021 Statement, setting out areas where there remain ongoing challenges in ESG reporting, suggesting actions for preparers to produce decision relevant information, and the FRC's plans to engage with the market to ensure that stakeholder needs are being met as demand for ESG information continues to evolve<sup>49</sup>.
- **The Pensions Regulator (TPR)**
  - **March 2023 | Equality, diversity, and inclusion (EDI) guidance:** TPR published EDI guidance for pension scheme governing bodies and employers of pension schemes. Guidance suggests that pension schemes establish EDI policy and EDI goals and objectives, among others<sup>50</sup>.
  - **March 2023 | Review of climate-related disclosures by occupational pension schemes:** TPR reviewed a selection of pension schemes' annual climate reports, publishing several areas of improvement for schemes and some emerging good practice<sup>51</sup>.
  - **February 2023 | Increased focus on climate and ESG non-compliance:** TPR launched a campaign to make sure trustees are meeting their ESG and climate change reporting duties. TPR is checking whether trustees of schemes with more than 100 members (unless exempt) have published a statement of investment principles (SIP) which details the policies controlling how a scheme invests, including consideration of financially material ESG and climate factors. Trustees must also publish an implementation statement (IS) – which shows how the principles in the SIP have been implemented. A review of a cross-section of SIP and IS statements will follow in the summer of 2023<sup>52</sup>.
- **UK Endorsement Board**
  - **June 2023 | Draft comment letter in response to the ISSB's request for information (RFI):** UKEB issued a draft comment letter for public consultation in response to the ISSB's RFI and is seeking UK stakeholder feedback until July 23, 2023. In the letter, UKEB has focused on the connectivity between the ISSB Sustainability Disclosure Standards and IASB Accounting Standards, as requested by the UK government<sup>53</sup>.

# Australia

## Sustainable finance regulations or guidelines

- **Australian Government, The Treasury**
  - **June 2023 | Second consultation on climate-related financial disclosure:** The consultation builds on the previous discovery consultation that occurred between December 12, 2022, and February 17, 2023. The government is seeking views on proposed positions for the detailed implementation and sequencing of standardized, internationally-aligned requirements for disclosing climate-related financial risks and opportunities in Australia. Among others, the paper requests for feedback about the potential implementation of the draft ISSB standards in the Australian context noting that it also consults on governance arrangements for the body that would adopt and/or modify ISSB standards. The consultation closes in July 2023<sup>54</sup>.

# Japan

## Sustainable finance regulations or guidelines

- **Financial Services Agency (FSA)**
  - **March 2023 | Response to the FSA's consultation on the proposed amendment of the Comprehensive Supervisory Guidelines for Financial Instruments Business Operators, etc. regarding ESG Investment Trusts:** The FSA published a summary of opinions received concerning on the proposed partial amendments to the guidelines between December 19, 2022, and January 27, 2023, and its response to them<sup>55</sup>.
- **Bank of Japan (BOJ)**
  - **June 2023 | Second market functioning survey concerning climate change:** Building on the first survey conducted to August 2022, BOJ conducted the second survey to evaluate the functioning of Japanese financial markets in relation to climate change and gain insights into challenges that need to be addressed for further improvement<sup>56</sup>.
  - **May 2023 | Climate change initiatives - Disclosure based on TCFD Recommendations:** BOJ summarized its initiatives regarding climate change in line with the TCFD recommendations<sup>57</sup>.

# China and Hong Kong

## Corporate disclosure regulations or guidelines

- **April 2023 | Hong Kong Exchanges and Clearing Limited (HKEX) | Consultation paper on enhancement of climate-related disclosures under the ESG framework:** The consultation paper seeks views and comments on proposed changes to HKEX's ESG reporting framework, which is predominantly set out in HKEX's ESG Reporting Guide, to enhance climate-related disclosures made by listed issuers. The proposed climate-related disclosure requirements are referenced against the IFRS S2 Climate-related Disclosures Exposure Draft published by the ISSB in March 2022, and supplemented or modified by subsequent deliberations announced by the ISSB. Subject to responses to the consultation, the revised Listing Rules will come into effect on January 1, 2024, and apply to ESG reports in respect of financial years commencing on or after the effective date. The consultation is open until July 14, 2023<sup>4</sup>.
- **February 2023 | Shenzhen Stock Exchange | White paper on environmental information disclosure by SZSE-listed companies:** Built on China's environmental protection policies and the environmental information disclosure system for SZSE-listed companies, the paper shares cases of environmental information disclosure by SZSE-listed companies<sup>58</sup>.



- **January 2023 | China Central Depository & Clearing Co., Ltd. (CCDC) | White paper on ESG practices in China:** The paper, compiled by CCDC in partnership with the International Capital Market Association (ICMA), demonstrates China's ESG practice, shares China's ESG-related experience, and provides case studies as reference for advancing sustainable development globally<sup>59</sup>.

## India

### Sustainable finance regulations or guidelines

- **April 2023 | Reserve Bank of India (RBI) | Framework for acceptance of green deposits:** The framework aims to encourage regulated entities to offer green deposits to customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns, and help augment the flow of credit to green activities/projects. The allocation of proceeds raised from green deposits shall be based on the official Indian green taxonomy and subject to an independent third-party verification/assurance which shall be done on an annual basis. The framework came into effect on June 1, 2023<sup>60</sup>.
- **Securities Exchange Board of India (SEBI)**
  - **February 2023 | Consultation paper on regulatory framework for ESG rating providers (ERPs) in securities market:** SEBI followed a principles-based approach. Proposals include:
    - ERPs may register with SEBI under the SEBI (Credit Rating Agencies) Regulations, 1999, and the CRA Regulations shall be amended to include a chapter for ERPs.
    - In context of the new Business Responsibility and Sustainability Reporting (BRSR) Core framework, ERPs may also provide a Core ESG Rating, based on assured indicators.
    - ERPs are advised to provide two additional ratings: ESG transition score and a combined score (merging ESG and transition scores).
    - Either an issuer-pays or a subscriber-pays business model will be allowed for ERPs in India. Hybrid business models shall not be allowed<sup>8</sup>.

On July 5, 2023, SEBI announced that ESG rating services can only be provided by entities that have been certified by SEBI, as per the (Credit Rating Agencies) (Amendment) Regulations, 2023<sup>9</sup>.

- **February 2023 | Consultation paper on ESG disclosures, ratings, and investing:** The consultation paper sought public comments on the regulatory framework of ESG disclosures by listed entities, ESG ratings in the securities market, and ESG investing by mutual funds. Consultation closed in March 2023. The paper makes proposals related to the following topics:
  - Assurance of sustainability disclosures.
  - ESG disclosures for supply chain.
  - ESG ratings with Indian context.
  - ESG ratings on assured indicators.
  - Enhanced stewardship reporting for ESG schemes.
  - Mitigation of risks of mis-selling and greenwashing.
  - Classification of ESG schemes<sup>61</sup>.

# South Africa

## Sustainable finance regulations or guidelines

- **May 2023 | Financial Sector Conduct Authority | Statement on sustainable finance:** FSCA published its introductory statement on sustainable finance and its program of work. The program of work comprises five pillars:
  - Taxonomy.
  - Disclosure, reporting, and assurance.
  - Market development.
  - Active ownership.
  - Empowering retail investors and consumers through financial education<sup>62</sup>.

# Brazil

## Sustainable finance regulations or guidelines

- **January 2023 | Comply or explain | The Brazilian Securities and Exchange Commission | The Brazilian Securities and Exchange Commission Resolution (RCVM) 59:** RCVM 59 came into effect on January 2, 2023. The listed companies must disclose ESG information on a comply-or-explain basis in a reference form, such as:
  - Whether the issuer discloses ESG information in an annual report or other specific document elaborated for this purpose.
  - The methodology or standard used in preparing the aforementioned report or document.
  - Whether the report or document is audited or reviewed by an independent entity and, if applicable, the entity must be identified.
  - The webpage where the report or document can be found.
  - If such report or document considers the disclosure of a materiality matrix and ESG key performance indicators, and what are the material indicators for the issuer.
  - Whether the report or document considers the Sustainable Development Goals (SDG) established by the United Nations and what are the material SDGs for the issuer's business.
  - Whether the report or document considers the TCFD recommendations or recommendations for financial disclosures from other entities recognized and related to climate issues.
  - If the issuer carries out GHG emission inventories, indicating, if applicable, the scope of inventoried emissions and the webpage where additional information can be found<sup>63</sup>.

# Singapore

## Sustainable finance regulations or guidelines

- **Monetary Authority of Singapore (MAS)**
  - **June 2023 | Collaboration with Climate Data Steering Committee (CDSC):** The Secretariat of the CDSC, MAS, and Singapore Exchange (SGX Group) have signed a memorandum of understanding to collaborate on strengthening access by stakeholders around the world to key climate transition-related data<sup>64</sup>.
  - **April 2023 | Finance for Net Zero Action Plan (FiNZ Action Plan):** The FiNZ Action Plan sets out MAS' strategies to mobilize financing to catalyze Asia's net zero transition and decarbonization activities in Singapore and the region. It expands the scope of MAS' Green Finance Action Plan launched in 2019 to include transition finance. Initiatives announced as part of the FiNZ Action Plan include:

- MAS has been working with the industry to co-create a code of conduct, which will require ESG ratings and data product providers to disclose how transition risks are factored into their products. A public consultation to gather wider feedback will be conducted in the second half of 2023.
- MAS has been working with the Singapore Exchange and other government agencies to set out a roadmap for key financial institutions (FIs) and listed companies to make ISSB-aligned disclosures on a risk-proportionate basis.
- To support FIs' adoption of science-based transition plans, MAS will engage international partners such as the International Energy Agency to support the development of credible regional sectoral decarbonization pathways.
- MAS will expand the scope of its sustainable bond and loan grant schemes to include transition bonds and loans, with safeguards in place to mitigate the risk of "transition-washing" and ensure alignment with internationally recognized taxonomy and transition finance principles<sup>5</sup>.
- **February 2023 | Third consultation on green and transition taxonomy:** Convened by MAS, the Green Finance Industry Taskforce launched its final public consultation on a green and transition taxonomy for Singapore-based financial institutions. The consultation seeks views on the detailed thresholds and criteria for the classification of green and transition activities in five sectors: agriculture and forestry/land use; industrial; waste and water; information and communications technology; and carbon capture and sequestration. The consultation ran until March 2023<sup>64</sup>.

## Partnerships and Initiatives

- The **Network for Greening the Financial System (NGFS)** is a network of 114 central banks and financial supervisors that aims to help strengthen the global response required to meet the goals of the Paris Agreement, enhance the role of the financial system to manage risks and mobilize capital for green and low-carbon investments in the broader context of environmentally sustainable development. In H1 2022, NGFS announced that it will prioritize supervisory practices related to managing climate-related risks as part of its 2022-2024 work program. Over H2 2023, NGFS published the following reports:
  - Results of its first public feedback survey on climate scenarios, conducted in February 2023<sup>65</sup>, which affirmed the value of the NGFS scenarios as a key tool for identifying and assessing climate risks globally<sup>66</sup>.
  - Report taking stock of emerging practices relating to climate transition plans and assessing the role of central banks and supervisors in relation to transition plans<sup>67</sup>.
  - Call for expression of interest for the analytical implementation of short-term climate scenarios. The analytical implementation is envisaged to start in Q3 2023<sup>68</sup>.
  - Report on capturing risk differentials from climate-related risks<sup>69</sup>.
  - Report on credit ratings and climate change – challenges for central bank operations<sup>70</sup>.
- **International Organization of Securities Commissions (IOSCO)** is an association of over 230 organizations that regulate the world's securities and futures markets.
  - The IOSCO Board published the 2023-2024 Work Program to further its core objectives of protecting investors, maintaining fair, efficient, and transparent markets, and addressing systemic risks. Under the theme of "Addressing New Risks in Sustainability and Fintech," the work program calls on IOSCO to continue its efforts in contributing to the urgent goal of improving the completeness, consistency, and comparability of sustainability reporting under the stewardship of its Board-level Sustainability Taskforce<sup>71</sup>.
  - IOSCO published a report on international work to develop a global assurance framework for sustainability-related corporate reporting. The report elaborates on IOSCO's support for the ongoing work of the international standard setters – the International Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants – to develop profession-agnostic assurance and ethics (including independence) standards over sustainability-related information<sup>72</sup>.
- In February 2023, the **G20 Sustainable Finance Working Group (SFWG)** concluded its first meeting, discussing the mobilization of timely and adequate resources for climate finance, financing of the SDGs, and capacity building of the ecosystem for financing toward sustainable development. SFWG announced that it will develop a G20 Sustainable Finance Technical Assistance Action Plan<sup>73</sup>.
- The **US-EU Joint Regulatory Forum** took place on February 7-8, 2023, with participants exchanging views on topics of mutual interest as part of their regular financial regulatory dialogue. The Forum emphasized close ongoing EU and US cooperation in a range of areas, including sustainable finance and climate-related financial risks<sup>74</sup>.
- The **UK-US Financial Regulatory Working Group** published a joint statement in January 2023 following its seventh official meeting, announcing cooperation on a number of focus areas including sustainable finance and climate-related financial risks<sup>75</sup>.
- In April 2023, the MAS and the People's Bank of China (PBC) announced the establishment of the **China-Singapore Green Finance Taskforce (GFTF)**. The GFTF will deepen bilateral cooperation in green and transition finance between Singapore and China and facilitate greater public-private sector collaboration to better meet Asia's needs as it transitions to a low-carbon future. MAS and PBC will work together under the International Platform on Sustainable Finance (IPSF) to achieve interoperability between the Singapore and China taxonomies and will collaborate subsequently to enhance the use of the IPSF's Common Ground Taxonomy, as well as deepen understanding of transition activities defined by China and Singapore<sup>76</sup>.

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