Cut out version for ISSA: Kishan Changlani

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Sustainable finance regulatory developments, by region

North America

United States

Securities and Exchange Commission (SEC) - Proposed Rule Changes

- Climate-related disclosures for registered companies: In March 2022, the SEC **proposed rule changes** that would require public companies to disclose on climate-related financial risks, scope 1, 2, and 3 emissions, transition plans and scenario analysis, if any, aligned with the voluntary Taskforce on Climate-Related Financial Disclosures (TCFD) framework.
- Market response: Since the agency extended the public comment period to June 2022, several asset managers and TCS (TATA Consultancy Services) clients like Vanguard have **supported the proposal**. However, they have voiced concerns around SEC's definition of materiality which is different from the definition set by the U.S (United States) Supreme Court. However, since the Supreme Court's ruling in ***West Virginia v. Environmental Protection Agency (EPA)*** that limits the EPA authority to regulate GHG emissions for power plants, legal analysts predict that **SEC's ESG (Environmental, Social, and Governance) related mandates may face legal challenges in courts**
- Rules for investment companies and advisors: Complementary to these proposed rules for companies, **two other rules in June 2022** would affect investment companies and ESG funds—classified as Integration Funds, ESG Funds and Impact Funds—depending on their level of ESG focus. First, the **"Enhanced Disclosures by Certain Investment Advisers and Investment Companies About Environmental, Social, and Governance Investment Practices"** is targeted towards registered investment advisers, investment companies, and business development companies" to provide additional information regarding their environmental, social, and governance ("ESG") investment practices. The second, **fund name rules,** under the Investment Company Act of 1940, requires a fund to disclose how it defines terms and selects investments that are consistent with that name. In May 2022, **BNY Mellon Investment Advisors settled charges with SEC and agreed to pay $1.5 million** for misstatements and omissions about ESG considerations in making investment decisions for certain mutual funds that it managed.
- In August 2022, the **U.S. Senate agreed on a $370 billion climate package** that may boost investments in domestic renewable energy industry thereby enhancing energy security and climate resilience and mitigation, especially in disadvantaged communities--it includes $27 billion for clean energy technology accelerator to support deployment of technologies to reduce emissions, $60 billion to drive investments in climate solutions targeting farmers and forestland owners and $20 billion for climate-smart agriculture practices. On Tuesday, August 16th 2022, **President Biden signed into law the Inflation Reduction Act of 2022.**
- Since the U.S. Congress has acted as roadblock to **President Biden's climate agenda**, the President has signaled to use executive powers to declare climate emergency and introduce new set of measures to combat the crisis. The market expects the administration to boost offshore wind capacity, accelerate shifts to electric vehicles and allocate capital towards energy transition activities. How banks and financial institutions are planning vis-à-vis these signals is a factor for analysis
- According to Reuters analysis, 44 bills and new laws were introduced in 2022 from 17 states aimed at companies positively acting on ESG issues such as climate change, gun control,

diversity. States like Texas are punishing or "boycotting" financial companies like **Bank of America** who are divesting from energy companies

U.S Legislation

- **The Inflation Reduction Act:** Most aggressive law signed to tackle the climate crisis in U.S. history. The law will improve public health, reduce pollution, and revitalize communities that are marginalized, underserved, and overburdened by pollution while increasing access to affordable and accessible clean energy. Includes several new Environmental Justice grant programs, building on current infrastructure law, creating Climate and Environmental Justice Block Grants, protecting investments in public schools, improving clean transit, and making clean energy more accessible and affordable.
- September.2022- The U.S. Federal Reserve Board announced that it will launch a pilot climate scenario analysis with six large banks, aimed at assessing the resilience of the financial institutions to various climate scenarios, and enhancing the ability of supervisors and firms to measure and manage climate-related financial risks. The pilot exercise will be launched in early 2023 and is expected to conclude around the end of the year. At the beginning of the exercise, the Board will publish details of the climate, economic, and financial variables that make up the climate scenario narratives.
- October.2022- The Financial Stability Oversight Council (Council) established the Climate-related Financial Risk Advisory Committee (CFRAC). The new committee's purpose is to assist FSOC "in gathering information on, conducting analysis of, and making recommendations to identify, assess, and mitigate climate-related risks to the financial system." Responsibilities of the committee will include gathering and analyzing information on climate-related risks to the financial system, identifying and recommending ways to address information gaps and inconsistencies, and making recommendations on identifying, assessing and mitigating the risks.
- Biden Administration makes CDP's model the law for government supply chain. The Biden-Harris Administration is taking historic action to address greenhouse gas emissions and protect the Federal Government's supply chains from climate-related financial risks. This will require major Federal contractors to publicly disclose their greenhouse gas emissions and climate-related financial risks and set science-based emissions reduction targets.
    - Biden Unveils Rule Requiring Federal Suppliers to Disclose Emissions, Set Climate Targets - ESG Today

Canada

- Canada's Office of the Superintendent of Financial Institutions (OSFI) **issued proposed Guideline B-15 on climate risk management** that recognizes the impact of climate change on managing risk. Beginning in 2024, financial institutions are required to publish their climate disclosures. This sets the expectation of the federally regulated financial institutions. In addition, the Canadian Association of Pension Supervisory Administrators (CAPSA) is **consulting with stakeholders** on proposed ESG, leverage, cyber and risk management approach guidelines to help support Canadian plan administrators in fulfilling their fiduciary duty
- In May 2021, the Government of Canada created the **Sustainable Finance Action Council** (SFAC) to help steer the Canadian economy towards sustainable finance and ESG considerations. The Action Council will serve as a centre of expertise, partnership, and dialogue on sustainable finance issues in Canada and internationally. Its main objective is to make recommendations on critical market infrastructure needed to attract and scale sustainable finance in Canada. Examples include: enhanced assessment and disclosure of climate risks and

opportunities; better access to climate data and analytics; and common standards for sustainable and low-carbon investments. Other objectives include: helping champion the implementation of sustainable finance best practices across Canada's financial sector and the broader Canadian economy, and supporting the growth of a well-functioning sustainable finance market in Canada. The SFAC will work closely with the NZAB.

Mexico

- Mexico's Ministry of the Environment endorsed the voluntary **Mexican Sustainability Protocol which has been signed by 97 percent of the financial sector**. The Mexican Banking Association created a Sustainability Committee which has defined Green Bond Principles for Mexico

Europe

European Union (EU)

EU's 2021 Strategy: multi-year project

- The European Commission published **technical guidance on climate proofing of infrastructure** for 2021-2027, as required under the European Climate Law
    - These enable investors to make informed decisions on projects compatible with the Paris Agreement and the EU's climate targets
- The European Climate and Health Observatory was launched in March 2021 by the Commission and the EEA
    - Provides information and tools to assess climate change and health, provides effective solutions and interventions to integrate and improve climate adaptation strategies in national and sub-national health policies
    - The new sustainable finance and forest strategies bridge the climate protection gap and to boost forest resilience
    - The first ever EU Adaptation Communication was submitted to the UNFCCC in October 2021
- The Mission on Adaptation to Climate Change has made good progress in fostering a step-change in adaptation action at sub-national level
    - Supports at least 150 EU regions and communities in accelerating their transformation to achieve climate resilience by 2030
    - 118 regions and local authorities from 18 Member States have signed the Mission Charter to join a community of practice and it has issued 12 calls for funding amounting to EUR 240 million
- The EEA plans a full report on the status of national adaptation action in late 2022
    - The report will be based on reporting by national authorities from March 2021 under the Energy Union Governance Regulation and other sources

Regulations

- During 1H2022, Europe continued to develop its ESG regulatory framework for both asset managers and companies. Examples include the regulatory technical standards that supplement the Sustainable Finance Disclosure Regulation, EU (European Union) Taxonomy Regulation
    - EU's SFDR- seeks to improve market transparency and prevent greenwashing. Part of the EU sustainable finance agenda. EU states SFDR does not constitute labelling and

rather "establishes differentiated disclosure pathways based on whether a product pursues the objective of 'sustainable investments'"

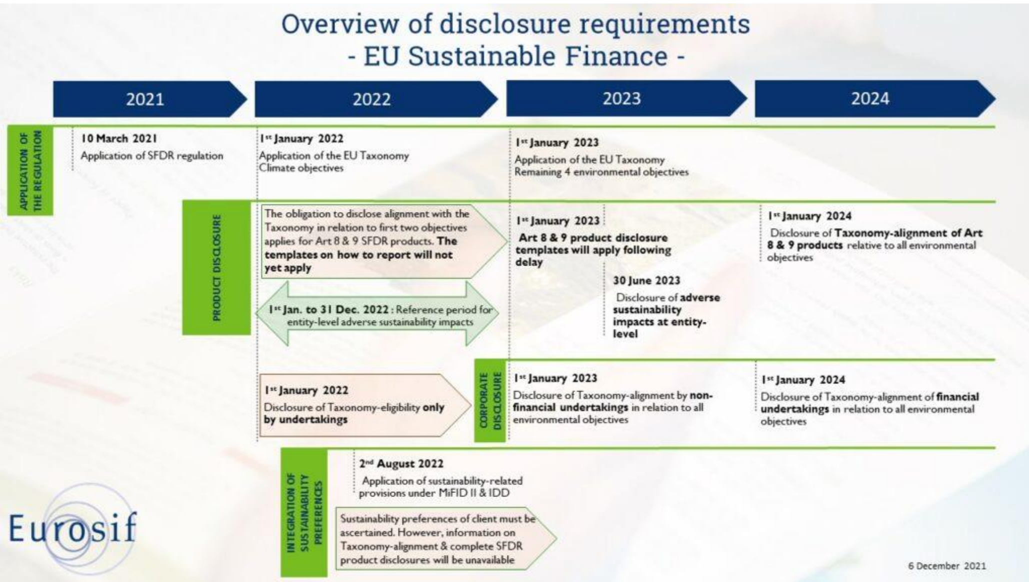
    - SFDR also requires firms to; provide greater transparency/ pre-contractual disclosure/ details of renumeration policies in relation to sustainability risks/ periodic reports

  - EU taxonomy is a transparency tool based on outlined classifications that mandate disclosure obligations allowing investors to make increasingly informed choices. 4 overarching conditions that economic activity has to meet in order to qualify as environmentally sustainable. There are 6 objectives:
    - Climate change mitigation
    - Climate change adaptation
    - The sustainable use and protection of water and marine resources
    - The transition to a circular economy
    - Pollution prevention and control
    - The protection and restoration of biodiversity and ecosystems

- The European Supervisory Authorities conducted a review of voluntary SFDR (Sustainable Finance Disclosure Regulation) disclosures by financial institutions that had less than 500 employees and found that **compliance related to disclosures on principal adverse impacts of investment decisions on sustainability factors were "very low."** Reasons, as stated by companies include, lack of data, insufficient resources and "challenging, uncertain and incomplete regulatory requirements." A separate review of mandatory SFDR disclosures is under way.
- Complementary Climate Delegated Act 2022. Part of the taxonomy. Aims to accelerate the shift from solid or liquid fossil fuels (incl. Coal) in an effort to promote climate neutrality by providing criteria for specific gas and nuclear activities are in line with EU climate and environmental objectives.
- EU 'Fit for 55' 2021- EU is seeking to cut greenhouse gas emissions by at least 55% by 2030 compared to 1990. By the European climate law, these goals are binding for the EU and its member states. Fit for 55 are legislative proposals which aim to provide "a coherent and balanced framework for reaching the EU's climate objective, which:
  - Ensure a just and socially fair transition
  - Maintains and strengthens innovation and competitiveness of EU industry while ensuring a level playing field vis-a-vis third country economic operators
  - Underpins the EU's position as leading the way in global fight against climate change"
- EU emissions trading update 2022 – ambition of emissions reductions by 2030 in the sectors covered by the EU ETS, the council have agreed o a one-off reduction of the overall emissions ceiling by 117 million allowances (re-basing) and to increase the annual reduction rate of the cap by 4,2% per year (linear reduction factor), the strengthening of the market stability reserve to prevent excessive price rises. Discussions of the implementation of a social climate fund (look into further))
- European Central Bank introduces climate scores into the decisions of future purchases in an attempt to decarbonize its more than €385billion of corporate bond holdings. Three sub-scores are the components of the climate scoring model, which include: 1) the backward-looking emissions sub-score, 2) the forward-looking targets sub-score, 3) the climate disclosure sub-score.

- **Effort Sharing Regulation (ESR)**
  - establishes binding annual greenhouse gas emission targets for Member States for the periods 2013–2020 and 2021–2030
  - These targets concern emissions from most sectors not included in the EU ETS, such as transport, buildings, agriculture and waste
  - the national targets will collectively deliver a reduction of around 10% in total EU emissions from the sectors covered by 2020 and of 30% by 2030, compared with 2005 levels
  - In aggregate for the EU-27, current national policies would reduce emissions by 22% by 2030 compared with 2005, well below the current 29% overall effort sharing emissions reduction target
  - If Member States implement all additional policies they have reported, the EU would only just meet the 29% reduction target under the existing ESR
  - The Commission has proposed to amend the ESR to deliver the higher ambition for 2030 of at least 55% GHG domestic emission reduction, with a proposed increase of the 2030 target for effort sharing sectors to 40% emission reduction compared to 2005
    - This is in negotiation between the European Parliament and the Council
    - Member states must submit draft updated plans by 30 June 2023, the Commission is preparing guidance to assist their preparations
  - Based on approximate 2021 data, four Member States are expected to exceed their current Annual Emissions Allocations (AEAs) for 2021
    - 1 percentage point for Czechia, 2 for Italy, 5 for Ireland and 14 for Cyprus
- <u>NFRD</u> is now a national law and all 28 EU member states are expected to comply if their company meets the requirements to participate in the NFRD which has a broad focus.
  - This permits EU member states to set environmental goals that exceed the requirements of the NFRD
  - Companies must report on business models, policies that have been adopted regarding non-financial issues, non-financial KPIs, outcomes of the policies adopted, related risks
  - Disclosure categories:
    - Social and employee
    - Diversity on the board
    - Environmental matters
    - Anti-corruption & bribery issues
    - Respect for human rights

- The relationship between the EU Taxonomy, SFDR, and NFRD is that there is overlapping scope
    - o The EU Taxonomy's scope= companies in scope for NFRD and financial participants in scope for SFRD
    - o Potential merging of EU taxonomy and SFDR



Current and Future regulations within Sustainable finance in the EU and UK:

Updates from the EU Climate Action Progress Report (2022)

- Emission Trends, Policies, and Achievements
    - o **Under current policies, the world is not on a path to meet the temperature goal of the Paris Agreement**. Meeting all new pledges made by countries before COP26 in Glasgow would improve our prospect, but still be insufficient
    - o provisional data show that the EU's domestic GHG emissions, excluding international aviation, rose by 4.8% in 2021 from their exceptionally low 2020 pandemic level, though they remained below 2019 level (i.e. -4.0%)
    - o Power sector emissions rose above pre-pandemic levels by 4.2% in 2021

- Total GHG emissions in the EU27 and UK (excl. LULUCF and incl. Aviation) fell by 34% compared to 1990 levels
- EU net domestic emissions in 2021 (incl. LULUCF) were 30% lower than 1990 levels, consistent with trajectory of EU 55% reduction target by 2030, however speed must increase significantly
- Major emitters include the aviation and maritime transport sectors
- European Scientific Advisory Board on Climate Change appointed in 2022
- Member states' post-pandemic Recovery and Resilience Plans (RRPs) included 40% in total planned expenditure earmarked for climate investments

- EU Emissions Trading Scheme
  - Reform of ETS is currently being discussed to strengthen the cap and extend the system to cover maritime emissions, with a parallel system in talks to cover buildings and road transport
  - Increased carbon price in 2021 led to increased auction revenue (total €31 billion)
    - 76% of which is spent for climate and energy projects/investments
- Effort Sharing Emissions
  - EU emissions under the Emissions Sharing Decisoin (ESD) were 16.3% lower in 2020 than in 2005 but rebounded in 2021 at 3.5% higher than 2020 levels
    - Most notable emissions rise = transport sector (7.1%) and buildings (3.1%)
  - Key sector policies include:
    - New emissions standards for new cars, vans, and heavy-duty vehicles (due at end of 2022)
    - Fuel Quality Directive stipulates that life-cycle GHG emission intensity of fuels must be reduced by 6% by 2020 from 2010 levels
      - As of 2020, 5.5% reduction
    - F-gas Regulation (Fluorinated gases = 25 000 x greater than CO_2 calls for F-gases to be reduced by 20% from 2014-2020, along with 47% reduction in HFC gases from environmentally-friendly refrigerator models
      - As of April 2022: new f-gas regulation proposed for additional emissions reduction
- Land Use, Land Use Change, and Forestry (LULUCF)
  - Decline in forest/land use as a carbon sink within Europe
    - Decline in ability to remove carbon due to higher demand for wood, increasing share of forests reaching harvest maturity, and an increase in natural disturbances such as insect infestations, storms, droughts, and forest fires
  - Current LULUCF regulation requires that Members offset their GHG emissions from the sector by at least an equivalent amount of CO_2 removed from the atmosphere under the 'no-debit-rule'
  - Under "Fit for 55" package, the Commission proposed an EU removal target of 310 million tons of CO_2-eq in 2030 for LULUCF sector
  - Commission Communication on Sustainable Carbon Lifecycles (December 2021) sets goals and actions to achieve carbon removals through nature-based solutions and industrial technologies
    - Developing a regulatory framework for carbon farming certification and an EU internal market for CO_2 capture and storage tech

Programmes and funds

Overview:

At the EU level, investment for the transition will flow from two main sources:

1. the EU's EUR 1.2 trillion 'multiannual financial framework' for 2021-2027
2. The EUR 806.9 billion NextGenerationEU, supporting the EU's recovery

At least 30% of these two sources combined (potentially over EUR 670 billion in current prices) will be spent on fighting climate change

- Spending programmes under the EU's 2021-207 budget also have climate spending targets of at least 30%
- These include the European Regional Development Fund (ERDF) (30%), Horizon Europe (35%), the Cohesion Fund (37%), the Connecting Europe Facility (60%) and LIFE (61%)

- The Innovation Fund
    - One of the world's largest public funding programmes for rollout of innovative low-carbon technologies
    - Financed by auctioning 450 million allowances from the EU ETS over this decade, representing around EUR 38 billion
    - Started in 2020 and since then, about EUR 3 billion have been invested in 54 projects
    - In 2021, two calls for projects were completed:
        - one for large-scale investments of EUR 1.146 billion – 7 grants were awarded in ETS sectors (including chemicals, steel, cement, refineries, power, heat)
        - one for small-scale investments of EUR 109 million – 32 grants were awarded in a broader range of ETS sectors (including green hydrogen, energy storage, glass, heat, carbon capture)
    - In July 2022 was the second large-scale call for projects
        - 17 projects were pre-selected in sectors like cement, hydrogen, and chemicals for a total of EUR 1.8 billion in Bulgaria, Finland, France, Germany, Iceland, the Netherlands, Norway, Poland and Sweden
        - Aim to save up to 136 million tonnes of CO2-eq in their first 10 years of operation
    - Next large-scale call to be launched in autumn 2022
        - Unprecedented budget of EUR 3 billion, with sections for projects to implement the REPowerEU plan, on hydrogen and electrification, clean-tech manufacturing and pilots
- Modernisation Fund
    - From EU ETS, supports low-income Member States to modernise their energy systems and improve energy efficiency
    - Until 2030, over 640 million allowances (representing around EUR 51 billion) will be auctioned to support these Member States
    - Since 2021, EUR 3.3 billion have been transferred to Croatia, Czechia, Estonia, Hungary, Lithuania, Poland, Romania, and Slovakia funding 71 investments for transition in areas like photovoltaics and power grids for electric car charging
- EU's Recovery and Resilience Facility
    - Centrepiece of *NextGenerationEU* with a value of up to EUR723.8 billion

- Enables Member States to significantly increase climate investments
- To qualify for the Facility's rants, Member States must prepare recovery and resilience plans setting out investments and policy reforms add value for the EU from green transition
- Each national plan mst allocate a minimum of 37% of planned expenditure to climate action
- As of September 2022, all 26 plans adopted exceed the 37% benchmark – 40% of their collective financial means is dedicated to climate objectives
- About 44% of the funding allocate is expected to target renewable energy and energy efficiency, and 34% sustainable mobility

- InvestEU
  - Provides long-term funding to companies and supports EU policies in sustainable recovery
  - The InvestEU fund combines 13 centrally managed EU financial instruments and the European Fund for Strategic Investments into one instrument
  - Supports four Policy Windows:
  - sustainable infrastructure
  - Research, innovation and digitalisation
  - Small and medium-sized companies
  - Social investment and skills
  - At least 30% of the InvestEU's target budget of EUR372 billion over the period 2021-27 will be allocated to climate objectives
  - The EIB, EIF and other implementing partner banks will use InvestEU guarantees for private-sector investments in line with climate and environmental tracking and the sustainable proofing guidance developed by the Commission
- The European Regional Development Fund and Cohesion Fund
  - Support Members States in promoting economic, social and territorial cohesion, while advancing transition to climate neutrality and other EU priorities
- The Just Transition Fund
  - EU contribution of EUR19.2 billion for investment over 2021-2027 in regions across Europe that will be most affected by the transition to climate neutrality in terms of economic structure and social effects
- The European Social Fund, ESF+
  - Supports employment and investments in human capital
  - To support the creation of green job and the adaptation of skills and qualifications to the transition to a climate-neutral economy, Member States plan to develop new types of training, curricula, apprenticeship and business model such as social entrepreneurship
- The LIFE Programme
  - The EU's funding instrument for the environment and climate action
  - In 2021, more than EUR290 million were awarded to 132 projects, including projects in areas like climate neutral farming, peatland restoration, heat recovery in iron and steel manufacturing and adaptation of forests and infrastructures to climate
  - There will be around EUR755 million for climate and environment projects in 2022, including for clean energy transition
- EU Fit for 55
  - EU emissions to reduce by at least 55% by 2030 and climate neutral by 2050
  - 11 focus components to reach the 55% by 2030 target

    - EU ETS
    - Effort sharing regulation
    - Land use and Forestry (LULUCF)
    - Alternative Fuels Infrastructure
    - Carbon Boarder Adjustment Mechanism
    - Social Climate Fund
    - REfuelEU aviation and FuelEU maritime
    - CO2 emission standards for cars and vans
    - Energy taxation
    - Renewable Energy
    - Energy Efficiency
- REPowerEU Plan
    - AIM: savin energy, producing clean energy, diversifying our energy supplies
    - Instigated by changing geopolitics (Ukraine war) - reduced dependency on Russian gas
    - Additional **investments** of €210 are needed between now and 2027 to phase out Russian FF imports (these cost around €100 per year)
    - These can be added as part of their Recovery and Resilience plans

United Kingdom (UK)

- In June 2018, the House of Commons published its Green Finance Report that called for investors to factor in long-term environmental risks into their decision making. It also called for the government to implement mandatory reporting on a "comply or explain" basis by 2022. It proposes using existing regulations and frameworks, such as the Companies Act 2006 to embed these climate-related reporting regulations.
- The Green Finance Taskforce, headed by Sir Roger Gifford, was commissioned in 2017 by the government and released its report in March 2018. The report included 30 recommendations under 10 themes on how a public-private partnership can embed green finance into UK investment and financial practices:
    - Theme 1: Relaunch UK green finance activities through a new unified brand
    - Theme 2: Improve climate risk management with advanced data and analytics
    - Theme 3: Implement the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)
    - Theme 4: Drive demand and supply for green lending products
    - Theme 5: Boost investment into innovative clean technologies
    - Theme 6: Clarify investor roles and responsibilities
    - Theme 7: Issue a Sovereign-Green Bond
    - Theme 8: Build a green and resilient infrastructure pipeline
    - Theme 9: Foster inclusive prosperity by supporting local actors
    - Theme 10: Integrate resilience into green finance agenda
- As a response to the Taskforce's recommendations, the UK Government published its Green Finance Strategy

Asia Pacific

Singapore:

General

- July.2022- The Monetary Authority of Singapore (MAS) **issued new disclosures rules,** which includes details of their investment strategy, for retail ESG funds to reduce the risk of greenwashing. The **regulation** will take effect as of January 2023, where retail ESG funds will be required to provide detailed information around their investment focus, strategy, and risks. Strategies such as impact investing class, theme-based investing, and positive screening are included in the investment strategy while negative screening are excluded.
- September.2022- Singapore's MAS and SGX **Launch ESG Disclosure Platform** called "ESGenome." a new ESG disclosure platform aimed at simplifying the ESG reporting process for companies, and providing investors with access to consistent and comparable corporate sustainability data.

Malaysia:

General

- May.2022- The Green Finance Industry Taskforce (GFIT) **convened by Monetary Authority of Singapore** published its second consultation **paper** that details taxonomy thresholds and criteria for economic activities in the energy, transport, and real estate sectors—responsible for 90% of ASEAN GHG emissions. These three sectors are part of the eight sectors: agriculture, forestry, and land use, industrial, ICT, waste and circular economy, carbon capture and sequestration.
- August.2022- According to MAS, Singapore will be kicking off a **$25 billion multi-year green bond program, with an initial issuance of S$1.5 billion**, with proceeds being used to support the country's electrical rail network and increase mass transit, as per Singapore's Green Plan 2030.

India:

General

- Feburary.2022- The Ministry of Environment, Forest and Climate Change (MoEFCC) has **issued** the "Environment (Protection) Amendment Rules, 2022" to further amend the Environment (Protection) Rules, 1986. **The changes** are that all new brick kilns shall be allowed only with zig-zag technology or vertical shaft or use of Piped Natural Gas as fuel in brick making and shall comply with these standards as stipulated in this notification.
- August.22- The Securities and Exchange Board of India launched a **consultation paper to widen the use of green and blue bonds**, as a mechanism of sustainable finance. This development follows the Reserve Bank of India published a **discussion paper** that guides regulated financial institutions to identify climate-related risks after **conducting a survey analysis** which showed that 2 out of 12 public banks and four out of sixteen private banks are slow in integrating climate risks into their risk management frameworks.

China:

General

- 2015- The People's Bank of China, **issued green bond guidelines**, that sets out official requirements around green projects, use of proceeds, and a green taxonomy. While these guidelines are specific to financial entities, the National Development and Reform Commission

(NDRC) has green bond guidelines for corporate and non-listed companies. Further to this, corporate and asset-backed securities are subject to Guidelines for Supporting Green Bond Development issued by China's Securities Regulatory Commission (CSRC).

- August.2022- The Securities and Futures Commission (SFC) has published **a roadmap for green & sustainable Finance**. The agenda focuses on three areas: Corporate Disclosures, Monitoring the implementations of and enhancing existing measures, and regulatory Framework for carbon markets. The roadmap is to support Hong Kong **green Finance development** & Transition to a greener economy.

Japan:

General

- October.2021- Financial Services Agency (FSA) is planning to Mandate TCFD climate Disclosure's for large companies starting from April 2022. The company's listed on the TSE Prime market disclosures must be aligned with TCFD recommendations.
- July.2022- The FSA proposed a draft for a code of conduct for ESG evaluation and data providers, the first of its kind issued by a national regulator. The code is focused on a set of principles & guidelines for ESG evaluation and data providers. The comment period will end on September 5th, 2022.
- November.2022- Japan Exchange Group, Inc. has started trial trading of carbon credits on Tokyo Stock Exchange as part of the "Technical Demonstration Project for Carbon Credit Market" commissioned by the Ministry of Economy, Trade and Industry (METI). One of the key focus areas of JPX's Medium-Term Management Plan 2024 is to "promote sustainability that connects society and economy."

Taiwan:

General

- May.2022- The Taiwan Stock Exchange (TWSE) launched new ESG disclosure platform mandating companies both in Taiwan Stock Exchange (TWSE) and the Taipei Exchange (TPEx) to publicly disclose relevant information regarding their ESG practices and development status on an annual basis.
- June.2022- The Taiwan Stock Exchange introduced a new ESG reporting mandate for listed companies. The TWSE ESG Disclosure focuses on seven topics that were further divided into 29 indicators to provide in depth metrics. Listed companies are required to disclose the relevant information or explain why they cannot within six months of the end of each fiscal year.

Indonesia:

General

- Septmber.2022- Indonesia has issued a new regulation to encourage renewable energy use in one of the world's biggest carbon emitters. The **New Regulation is To Boost Renewable Energy Use,** the country depends on coal usage for power and is the world's largest coal exporter. The regulation states no new coal power plants can be built, the existing plants must increase renewables energy in their energy mix, and emissions by coal plants must be **reduced by 35%** within the next 10 years. This regulation will help with Indonesia pledge for net zero emission by 2060.

Australia:

General

- September.2022- The Climate Change Bill 2022 **was passed by both houses**. The bill outlines Australia's greenhouse gas emissions targets of a 43% reduction from 2005 levels by 2030 and net zero by 2050. The new Treasurer is now focused on hosting **investor roundtables** to address social housing issues and the clean energy transition, introducing **mandatory climate-related financial disclosures** and developing a **broader sustainable finance strategy**.

South Korea:

General

- December.2016- Korea's Stewardship Code ("Code"), **published by the Korea Stewardship Code Council**. It is an effort to promote greater transparency among investor groups with respect to their responsible investment activities, with the aim of pursuing the mid- to long-term interests of investors and beneficiaries.

Philippines:

General

- Septmeber.2021- Philippines' Securities and Exchange Commission **(SEC) is reportedly planning** to make sustainability reporting mandatory for all listed firms by 2023. The SEC issued sustainability reporting guidelines for listed companies in 2019. While sustainability reporting is on a comply or explain basis, the regulator noted a compliance rate among publicly listed companies of over 90 percent in each of the last two years.

Latin America

According to the International Finance Corporation (IFC), **Brazil, Columbia, Ecuador, Mexico, and Peru are leaders in establishing sustainable finance policies and principles**. Market analysts predict that others will follow suit

Brazil

- In June 2022, an NGO Conectas Direitos **filed a public civil suit against the Brazilian Development Bank, BNDES and its investment arm BNDESPAR**, and demanded the formulation of a greenhouse gas emissions reduction plan to guide the bank's investments considering the Paris Agreement and the Brazilian National Policy on Climate Change (PNMC). This is the first climate dispute of its kind against an investment bank

Colombia

- **Colombia** is considered a model for stakeholder engagement where the private sector and government both support the Green Protocol for Environmental & Social risk management in the banking sector

Ecuador

- In late 2016, the Association of Private Ecuadorian Banks issued Sustainable Banking Protocol and has setup a Sustainability Committee to help facilitate the implementation of environmental and social risk management systems, developing green investments and management of their own social and environmental footprints

- **Peru:** In 2015, The Banking Superintendency (SBS) Peru developed a regulation that outlined minimum social and environmental risks assessment requirements for all financial institutions. The regulation provides detailed instructions on how to evaluate and manage E&S risks. In addition, the authority has also issued minimum due diligence guidelines and requirements for financial firms in relation to these risks

Middle East and North Africa (MENA)

- Table below outlines the different recommendations for middle eastern countries in their green financing and transition journey:

Summary table of recommendations

	Bahrain	Egypt	Iraq	Kuwait	Oman	Qatar	KSA	UAE
Enabling environment								
Awareness	Regional opportunity							
Financing strategies	o		o					o
Taxonomies	Regional opportunity							
Disclosures					o			o
Market facilitators (Super ESCOs and Green Investment Banks)		o		o			o	✓
Central banks		✓		o		o	o	
Financial tools								
Subsidies and inclusive loans		✓			o	o		o
Guarantees & risk insurance		✓	o					
International climate finance		✓	o					
Green bonds / sukuk	o	✓		o	o	✓	✓	✓
Carbon pricing	Regional opportunity							
Swaps		o	o					
Sovereign Wealth Funds				Regional opportunity				
State-owned enterprises		o		o	✓	o	✓	✓

Opportunity	o
Already happening	✓
Not appropriate	
Not a top priority	

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United Arab Emirates

- In 2019 Abu Dhabi Securities Exchange (ADX) announced that it has issued an Environmental Social & Governance (ESG) disclosure guideline for listed companies. Dubai Islamic Bank published the Sustainable Finance Framework that is aligned with International Capital Markets Associations (ICMA) Green and Social Bond Guidelines. Abu Dhabi sustainable finance declaration is a cooperation mechanism by which government, regulators an key UAE and international institutions seek to develop a collaborative framework to promote and enhance green and sustainable investments in UAE. To that end, the UAE Sustainable Finance Working Group (SFWG)- issuance of a roadmap for building the sustainable finance framework in the UAE
- "EU Taxonomy Regulation and Sustainable Finance Disclosure Regulation (SDDR) are relevant to companies in the Middle East because the mandatory disclosure requirements of European investors will influence the companies and sectors in which they invest internationally"

Egypt

- A decree by Egyptian Financial Regulatory Authority (FRA) stating that corporates will have to publicly disclosure their performance on key environmental, social and governance issues

- These will be submitted with their financial statement
- Includes that EGX-listed companies (Egyptian Exchange) and NBFS players with issued capital of at least EGP 100mn
- Based on 21 KPIs- which more than half are climate and environmental related
- Firms with capital of EGP 500mn will have to submit the report as well as a report on certain performance indicators from the TCFD

Sub-Saharan Africa

Rwanda

- The International Monetary Fund **(IMF) agreed to lend Rwanda about $310 million** under a new tool intended to help nations bolster their defenses against climate change. Rwanda also agrees to 36-month policy coordination instrument to support the authorities in their efforts to build on progress in macroeconomic, fiscal and financial reforms started in 2019, the IMF said in an emailed statement.