Latest Developments in Governance, Stewardship and Sustainability

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Expected Progress Towards Global Adoption of IFRS Sustainability Disclosure Standards

Several countries, including Canada, Japan and Singapore, are in the process of considering or adopting the IFRS Sustainability Disclosure Standards. Canada's Sustainability Standards Board (CSSB) has proposed standards closely aligned with ISSB Standards, with a target effective date of January 2025. In Japan, the Sustainability Standards Board of Japan (SSBJ) is incorporating the standard requirements into its exposure drafts. Singapore is also consulting on incorporating these Standards into its sustainability reporting rules, particularly for climate-related disclosures, with proposed implementation by 2025. These efforts aim to establish globally consistent sustainability disclosure standards, with various jurisdictions already committing to adopt or use the Standards, such as Australia, Malaysia, Brazil, Costa Rica, Sri Lanka, Nigeria and Turkey.

EU Parliament Adopts Innovative Carbon Removal Certification Scheme

In a significant move, the European Parliament adopted on April 10, 2024, the first EU-wide Carbon Removal Certification Framework. This Framework will create a registry for the reliable certification and deployment of verifiable and high-quality carbon removals. The initiative aims to pave the way for a market for captured CO2, encourage farmers and foresters to adopt effective carbon removal solutions and ensure the EU's capacity to quantify, monitor and verify carbon removals. However, environmental NGOs expressed reservations, emphasizing the importance of robust implementation to ensure genuine climate action.

Climate Risk Management in Asia: Key Priorities for Investors

The Asia Investor Group on Climate Change (AIGCC) released this April a report outlining a set of important priorities for investors in Asia to ensure effective climate risk management. Despite progress in acknowledging climate-related challenges and risks, the majority of the 200+ Asia Investors included in the report data review 'fall short' of actions needed to effectively manage climate risks and opportunities. The report identifies five priorities: assessing physical risks, establishing clear fossil fuel policies, addressing deforestation in investment approaches, increasing investments in climate solutions and developing comprehensive climate transition plans.

Focus area 1: Governance

- 70% of investors publicly recognize climate as a source of material risks and opportunities.
- 57% of investors have integrated (to varying degrees) climate change considerations into investment policies.
- 28% of investors have some form of climate action plan.

Focus area 2: Investment

- 40% of investors have a net-zero target over all or part of the portfolio.
- 57% of investors have integrated (to varying degrees) climate change considerations into investment policies.
- 28% of investors have investment policies that consider fossil fuels

Focus area 3: Corporate Engagement

- 33% of investors participate in corporate engagement initiatives on climate, including Climate Action 100+ or AIGCC's Asian Utilities Engagement Program.
- 37% of investors have shown robust climate corporate engagement, including climate change considerations in proxy voting policies, setting engagement targets, etc.

Focus area 4: Disclosure

- 47% of investors are disclosing some level of climate risks and opportunities aligned to the recommendations of the TCFD but with varying levels of detail.
- 31% of investors have conducted a physical risk assessment over some or part of their portfolio, with varying levels of detail, though few set out detailed plans to address these risks.

Focus area 5: Policy advocacy

- Domestic policy environments & regulations across Asia are a key determinate of investor climate action.
- Investor climate policy advocacy across the region is generally lower than needed to spur the net-zero transition at the speed required for investors' best financial interests.