STANDARDS BOARD FOR ALTERNATIVE INVESTMENTS

Review of Responsible Investment Regulatory Expectations (2021 Update)

SBai Toolbox

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Introduction

Responsible Investment (**RI**) covers a wide range of issues often classified into Environmental (**E**), Social (**S**) and Governance (**G**) considerations:

Environmental	Social	Governance
▪ Climate change and greenhouse gas (GHG) emissions ▪ Energy efficiency ▪ Resource depletion (including water) ▪ Hazardous waste ▪ Air and water pollution ▪ Deforestation	▪ Human Rights ▪ Working conditions including slavery and child labour ▪ Local and indigenous communities ▪ Health and safety ▪ Employee relations and diversity	▪ Executive pay ▪ Bribery and corruption ▪ Political lobbying and donations ▪ Board independence, diversity, and structure ▪ Tax ▪ Transparency ▪ Shareholder Rights

Spectrum of RI Approaches

RI can be approached in many ways including:

- RI Integration – factoring financially material RI-related risks into investment and risk processes but *not* using them to define the investment universe,
- Responsible Asset Selection – exclusions, inclusions, or impact objectives, or
- Responsible Ownership – engagement with issuers or the wider industry ecosystem.

Our [Responsible Investment Toolbox] contains a Policy Framework and dedicated guidance for different alternative investment strategies.

Regulation

Globally, there has been a substantial increase in RI regulation. In most RI regulations, disclosure is required rather than prescriptive approaches to implement RI. Global RI regulations increased from less than 50 in 2000 to more than 750 in 2021. The United Nations' Principles for Responsible Investment database has added more than 150 new or revised policies in 2021.[1] At the SBAI we have responded to many global regulatory consultations on RI and our responses can be found on our ESG Regulatory Engagement webpage.

Asset managers and allocators need to understand the global regulatory landscape now more than ever. This Toolbox Memo provides a global overview of RI regulations and guidance including enacted and proposed legislation. It looks at these regulations through three perspectives: allocators, investment managers, and issuers.

1. Regulation for Allocators

Allocator interest in RI continues to grow shown by initiatives, such as:

- The Principles for Responsible Investment (PRI) where signatories commit to principles, including incorporating RI into their investment decision-making processes, and
- The Institutional Investors Group on Climate Change (IIGCC) which has guides on climate-related topics and addressing risks and opportunities in investment practices.

The EU Sustainable Action Plan continues to encourage ESG considerations, and the UK is considering reforms to improve pension fund disclosures on sustainability, stewardship, and ESG risks. In the US, proposed, but not yet adopted, legislation appears to be moving in a similar direction.

The below sections summarise legislation in North America, Europe, and Asia for investors. Further details can be found in Appendix I.

North America

United States

Current US RI legislation is at state level. Some state authorities have regulations affecting public institutional investors (such as state pension funds). Approaches include: climate risks disclosure in California, publishing sustainable investment policies in Illinois, and divestment from coal, oil, and gas in New York.

Commissioner Elad L. Roisman of the US Securities Exchange Commission (**SEC**) confirmed in a public speech in June 2021[2] that the SEC is increasing its focus on ESG matters. It intends to propose new disclosure requirements for climate change and human capital.[3]

New North American Allocator Regulatory Updates 2021
<u>United States</u> <u>The Financial Factors in Selection Retirement Plan Investment Act:</u> Proposed Department of Labour (**DOL**) legislation which would have prohibited *The Employee Retirement Income Security Act of 1974* (**ERISA**) fiduciaries from using ESG investments if they would

[1] https://www.unpri.org/policy/regulation-database

[2] Can the SEC Make ESG Rules that are Sustainable? (June 22, 2021) available online at https://www.sec.gov/news/speech/can-the-sec-make-esg-rules-that-are-sustainable#_ftn1

[3] See Annual (Spring 2021) Regulatory Agenda for the Securities and Exchange Commission (June 11, 2021). Chair Gary Gensler, “Testimony Before the Subcommittee on Financial Services and General Government, U.S. House Appropriations Committee” (May 26, 2021), https://www.sec.gov/news/testimony/gensler-2021-05-26

subordinate beneficiary returns, have been replaced by a new *Financial Factors in Selecting Retirement Plan Investment Act* bill introduced in 2021.[4]

The legislation would:

- Amend ERISA to make clear that plans may consider ESG factors in their investment decisions when they are expected to have an impact on investment outcomes, but plans must consider them in a prudent manner consistent with their fiduciary obligations,
- Amend ERISA to codify a longstanding principle that plans may consider ESG factors as tiebreakers when deciding between otherwise comparable options, and
- Formally repeal the DOL's rule on Financial Factors in Selecting Plan Investments and seek to limit future regulatory actions imposing unfair regulatory burdens to discourage ESG investing by ERISA plans.

If adopted, the Acts would have wider reach than the state level legislation.

Further details on North American Allocator Regulation are in Appendix I - Table 1

Europe and the United Kingdom

European Union

The EU's *Sustainable Action Plan* is the primary regulation in Europe. It seeks to:

- Re-orient capital flows towards sustainable investment,
- Manage financial risks stemming from climate change, natural disasters, environmental degradation, and social issues, and
- Foster transparency in financial and economic activity.

The *Sustainable Action Plan* sets out several key actions including:

Taxonomy	Establishing a clear EU classification system for sustainable activities to provide clarity for financial actors.
EU Labels	Establishing EU labels for green financial products, helping investors to identify products which comply with their RI criteria.
Clarification	Clarifying duties for both asset managers and allocators.
Transparency	Strengthening the transparency on company RI policies.
Risk Management	Incorporating climate risks into risk management policies.

The *Sustainable Action Plan* is being implemented with a package of near- to medium-term sustainable finance reforms.

[4] https://www.congress.gov/bill/117th-congress/house-bill/3387?q=%7B%22search%22%3A%5B%22Financial+Factors+in+Selecting+Retirement+Plan+Investment+Act%22%2C%22Financial%22%2C%22Factors%22%2C%22in%22%2C%22Selecting%22%2C%22Retirement%22%2C%22Plan%22%2C%22Investment%22%2C%22Act%22%5D%7D&s=8&r=1

United Kingdom

Regulatory focus so far is on occupational pension schemes implementing TCFD disclosures. The first rules apply to pension schemes larger than GBP 5 billion from October 2021. There is a proposal to extend the requirements to smaller schemes and FCA regulated pension schemes.

The PRA requires other investors, such as banks, building societies, and insurance companies, to disclose climate-related financial risks and opportunities by the end of 2021. The PRA will then review the disclosures to determine if additional measures are required.

New European Allocator Regulatory Updates 2021

European Union:

The EU Commission proposed a new strategy for financing the transition to a sustainable economy in July 2021. The strategy provides a roadmap towards a sustainable economy, building on the *Sustainable Action Plan* and the transition finance report by the Platform on Sustainable Finance[5].

The new actions align with the four themes set out in the *EU Sustainable Finance Strategy Fact Sheet*[6]:

- Financing the Transition to Sustainability: Providing tools and policies to enable economic actors to finance their transition plans and to reach climate and broader environmental goals.
- Inclusiveness: Catering for the needs of and providing opportunities to individuals and small and medium-size companies to have greater access to sustainable finance.
- Financial Sector Resilience and Contribution: Setting out how the financial sector can contribute to meeting Green Deal targets, while also becoming more resilient and combatting greenwashing.
- Global Ambition: Setting out how to promote international cooperation for an ambitious global sustainable finance agenda.

Further details on European allocator regulation are in Appendix I - Table 2

Asia

Hong Kong and Singapore

Hong Kong and Singapore have voluntary principles on responsible ownership and stewardship, the *Principles of Responsible Ownership* published by the Hong Kong Securities and Futures Commission (HK SFC) in March 2016, and the *Singapore Stewardship Principles for Responsible Investors* published by the Stewardship Asia Centre in November 2016. These principles contain provisions on engagement with investee companies on ESG issues.

Mainland China

Mainland China does not have standalone responsible investment principles, but the voluntary *Green Investment Guidelines* (for Trial Implementation), published by the Asset Management Association of China (AMAC) in 2018, include elements of responsible investing and engagement with investee companies.

[5] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/210319-eu-platform-transition-finance-report_en.pdf

[6] https://ec.europa.eu/info/sites/default/files/business_economy_euro/banking_and_finance/documents/210706-sustainable-finance-strategy-factsheet_en.pdf

New Asian Allocator Regulatory Updates 2021
Singapore: The Stewardship Asia Centre launched a consultation in November 2021 to revise the 2016 principles with the aim of encouraging better stewardship among investors.

Further details on Asian allocator regulation are in Appendix I - Table 3

2. Regulation for Investment Managers

RI Regulation for investment managers is currently the lightest of the three areas discussed in this memo. The EU is the only jurisdiction that has enacted legislation in this space. Asian regulators started to focus on RI in the last few years, publishing guidance documents. The US is consulting on a rule relating to the risk of misleading fund names and has not yet focused on disclosure rules or policy guidance.

Full details of the regulations discussed below are provided in Appendix II.

North America

United States

There are no RI regulations for investment managers in the US that have been enacted. There is a proposed rule change to ensure that funds that use RI-related terms in their name are not misleading. The SEC issued a consultation on Rule 2001 on fund names in 2020. This is an existing rule regarding concerns that fund names could be false or misleading to investors. The consultation questioned whether the rules should be updated to cover ESG, for example, where fund names contain words like “impact”, “responsible”, or “sustainable”. No formal decision to update Rule 2001 has been made.

The Commodity Futures Trading Commission (**CFTC**) published a report on managing climate risk in the US financial system in 2020.[7] The report noted climate change was a major and complex risk affecting the stability of the financial system in the US. The report found that existing legislation already provides regulatory authority to address financial climate-related risk and that this legislation was not currently being used to monitor or manage these risks.

The CFTC set out several recommendations, including:

- All federal financial regulatory agencies should include climate-related risks in their mandates and develop a strategy for integrating these risks in their existing monitoring and oversight functions,
- Financial supervisors should require bank and non-bank financial firms to address climate-related financial risks through their risk management frameworks and corporate management should appropriately govern this, and
- Material climate risks must be disclosed, and disclosure should cover material risks for various time horizons.

[7] https://www.cftc.gov/sites/default/files/2020-09/9-9-20%20Report%20of%20the%20Subcommittee%20on%20Climate-Related%20Market%20Risk%20-%20Managing%20Climate%20Risk%20in%20the%20U.S.%20Financial%20System%20for%20posting.pdf

The CFTC established a new Climate Risk Unit after publishing this report. The unit supports the agency's mission to focus on the role of derivatives in understanding, pricing, and addressing climate-related risk and transitioning to a low-carbon economy.[8]

Further details on North American Investment Manager regulation are in Appendix II - Table 4

Europe and the United Kingdom

European Union

The EU is the only jurisdiction that has enacted RI legislation for investment managers. The legislation, part of the EU's *Sustainable Action Plan*, is focused on disclosure and consistency in RI.

The *EU Disclosures Regulation* aims to clarify and harmonise existing ESG disclosure requirements for "financial market participants"[9]. The regulation requires a published policy detailing how sustainability is integrated into decision-making processes, governance of ESG products, and disclosure of sustainability risk impacts.

The *EU Taxonomy Regulation* sets basic rules for defining which economic activities are considered environmentally sustainable. This will be the governing standard for future EU sustainable product regulation.

Disclosures Regulation	Taxonomy Regulation
The final report of the EU Supervisory Authorities in February 2021 contained draft Regulatory Technical Standards (RTS) on the content, methodologies, and presentation of disclosures. The Disclosures Regulation applies from March 2021 and the RTS will apply from January 2022.	The first company reports and disclosure to investors under this regulation are due at the start of 2022.

United Kingdom

The UK has not implemented SFDR, but the FCA is consulting on mandating TCFD disclosures by asset managers. This is proposed both at entity level and the investment product level. The UK is also working on a green taxonomy, a comprehensive sustainability disclosures regime, and a labelling framework – the discussion paper for which was published late 2021.

New European Investment Manager Regulatory Updates 2021
The EU: Regulatory Technical Standards (RTS) on the content, methodologies, and presentation of disclosures under the *EU Disclosures Regulation* were published in February 2021 as part of the final

[8] https://www.cftc.gov/PressRoom/PressReleases/8368-21

[9] Including: investment firms carrying out portfolio management in relation to a wide range of financial products including AIFs, UCITs, Pan European Pension Plans and Institutions for Occupational Retirement Provision.

report of the EU Supervisory Authorities (ESAs)[10]. The final Report on Taxonomy-related RTS was released in October 2021 containing additional implementing provisions on content, methodologies, and presentation of Taxonomy-related disclosures[11]. The EU Commission will bundle both RTS in a single delegated act.

While the Disclosure Regulation applies from March 2021, the RTS delegated act is supposed to apply from January 2023 (cf. EU Commission's Letter on RTS deferral dated 25. November 2021[12]).

The first (partial) application of Taxonomy Regulation will start in 2022 with regards to two environmental objectives: Climate change mitigation and climate change adaptation.

Taxonomy-related disclosure will apply to financial products under SFDR and to companies that are subject to the EU Non-Financial Reporting Directive (NFRD). Staged disclosure obligations for non-financial undertakings subject to NFRD and financial undertakings subject to NFRD, first full disclosure on Taxonomy alignment for non-financial undertakings subject to NFRD in annual report for FY 2022, for financial undertakings subject to NFRD in annual report for FY 2023.

In 2022, six amending delegated acts on fiduciary duties, investment and insurance advice will apply to ensure that financial firms, e.g., advisers, asset managers or insurers, include sustainability in their procedures and their investment advice to clients (sustainability preferences).

The UK:

The FCA issued consultation and discussion papers on RI related topics during 2021 including:

- Consultation Paper on *Enhancing Climate-Related Disclosures by Asset Managers, Life Insurers, and FCA Regulated Pensions* in June 2021[13],
- Discussion Paper on *Diversity and Inclusion in the Financial Sector – Working Together to Drive Change* in July 2021[14], and
- Discussion Paper on *Sustainability Disclosure Requirements (SDR) and investment labels* in November 2021[15].

Our responses to these consultations are available on our ESG Regulatory Engagement webpage.

Further details on European investment manager regulations are in Appendix II - Table 5

Asia

Asian regulators have not yet enacted any RI legislation, but guidance on the topic continues to be issued, particularly in Hong Kong and Singapore.

Hong Kong

The HK SFC published a circular on ESG fund disclosure requirements in April 2019. It includes guidance on naming funds, disclosure in offering documents, and ongoing monitoring of underlying investments.

[10] https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf
[11] https://www.esma.europa.eu/sites/default/files/library/jc_2021_50_-_final_report_on_taxonomy-related_product_disclosure_rts.pdf
[12] https://www.esma.europa.eu/sites/default/files/library/com_letter_to_ep_and_council_sfdr_rts-j.berrigan.pdf
[13] https://www.fca.org.uk/publications/consultation-papers/cp-21-17-climate-related-disclosures-asset-managers-life-insurers-regulated-pensions
[14] https://www.fca.org.uk/publications/discussion-papers/dp-21-2-diversity-and-inclusion-financial-sector-working-together-drive-change
[15] https://www.fca.org.uk/publication/discussion/dp21-4.pdf

The circular will be replaced by an updated circular from 1 January 2022, which includes a new requirement for ESG funds to conduct and disclose periodic assessments of how they have attained an ESG focus.

Singapore

The MAS's *Guidelines on Environment Risk Management (Asset Managers)* published in December 2020 must be complied with by June 2022. It covers areas such as governance and strategy, research and portfolio construction, portfolio risk management, stewardship, and disclosure of broad environmental risk information. MAS has also indicated it will set out its regulatory expectations on disclosure standards for retail funds with an ESG investment objective in early 2022.

Mainland China

AMAC published voluntary *Green Investment Guidelines* (for Trial Implementation) in November 2018. The guidelines cover publicly and privately offered securities investment funds, managers of asset management plans, and their products. They are a principles-based universal framework and code of conduct for green investment practices and include guidance on asset evaluation methods, environmental risk assessments, information disclosure, and green investment products and strategies.

New Asian Investment Manager Regulatory Updates 2021
Hong Kong: The SFC updated its *Fund Manager Code of Conduct* requiring fund managers of collective investment schemes to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures. The new requirements reference TCFD recommendations and use a two-tiered approach – baseline requirements for all fund managers and enhanced standards for larger fund managers. This will be Implemented in two phases from 20 August 2022 and 20 November 2022. **Singapore:** Singapore's Green Finance Industry Taskforce consulted on a proposed taxonomy for Singapore-based financial institutions to identify and classify activities that can be considered green or in transition in January 2021. The Stewardship Asia Centre launched a consultation in November 2021 to revise the 2016 principles with the aim of encouraging better stewardship among investors.

Further details on Asian investment manager regulations are in Appendix II - Table 6

3. Regulation for Issuers

RI regulation for issuers has seen the biggest focus to date. There has been increasing focus on corporate ESG reporting, which is driving improvements in risk identification, engagement, and disclosure.

Stock exchanges are increasingly requiring listed issuers to disclose:

- Environmental impact and climate change related risk exposure,

- Human capital related information (such as pay ratio disclosure and treatment of customers and communities), and
- Internal governance (including gender diversity and internal systems and controls).

Currently around 60 stock exchanges[16] require listed companies to make RI-related disclosures, including the London and New York Stock Exchanges. Written guidance on ESG reporting generally seeks to assist issuers with ESG disclosure by highlighting elements of good quality reporting and drawing attention to useful resources.

All the regulations and legislation discussed in this section can be found in more detail in Appendix III.

Environment and Climate Risk

Climate change and greenhouse gas (**GHG**) emissions are the key environmental factors issuers are asked to consider. Issuer reporting on specific topics such as energy efficiency, resource depletion, deforestation, and air and water pollution is increasingly required. The nature and extent of these disclosures varies between industries and countries.

Taskforce on Climate-related Financial Disclosures (TCFD)

Several jurisdictions have adopted guidelines for issuers to disclose climate-change risk. The guidelines are generally principles-based and aligned with the Financial Stability Board (**FSB**) recommendations of TCFD. TCFD aims to develop a global foundation for consistent, climate-related financial disclosures. It is structured around four core themes: governance, strategy, risk management, and metrics and targets.

The TCFD's final report and recommendations (2017)[17], set out the information for issuers disclosure. The voluntary disclosure framework aims to balance providing an 'ambitious' framework to raise climate disclosure standards with practicality to enable widespread near-term adoption.

The Climate Disclosure Standards Board (**CDSB**) and Sustainability Accounting Standards Board (**SASB**) produced a TCFD implementation guide[18] providing practical solutions to implement the recommendations, using their standards and framework.

Other Frameworks

There is no global consensus on RI disclosures and data, but there are many voluntary global standards and frameworks which issuers (and investors) rely on including:

Global Reporting Initiative (GRI)	The first and most widely adopted global standards for sustainability reporting.
UN Global Compact	Encourages companies to commit to certain principles.
Sustainability Accounting Standards Board (SASB)	Accounting standards across ESG topics for public company disclosures.
Carbon Disclosure Project (CDP)	Global disclosure system that scores cities and companies.

[16] https://sseinitiative.org/all-news/exchange-in-focus-nyse-publishes-esg-disclosure-guidance/
[17] https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf
[18] https://www.sasb.org/knowledge-hub/tcfd-implementation-guide/

Climate Disclosure Standards Board (CDSB)	Framework for climate disclosures in mainstream financial accounts.

The International Integrated Reporting Council (**IIRC**), CDP, CDSB, GRI, and SASB issued a joint statement[19] in September 2020, setting out a shared vision to progress towards consistent global reporting, and providing clarity on using a combination of the organisations' frameworks.

North America

Canada

The Canadian Securities Administrator (**CSA**) issued guidance for public issuers on preparing disclosures on material climate-related risks. Issuers are encouraged to disclose:

- Board and management responsibilities for climate change-related risks oversight,
- Physical and transition risks, and
- Opportunities they are exposed to that may have a variety of financial impacts on their business.

United States

There are some suggested disclosures in place and further legislative proposals are being considered that would allow the SEC to mandate disclosure requirements.

New North American Issuer Regulatory Updates 2021
US: The SEC issued a request for public comment on climate change disclosure for issuers[20] in March 2021. Asking questions including how the commission can monitor these disclosures and which climate change information can be quantified and measured. You can view our response to this consultation on our ESG Regulatory Engagement Webpage. The US House of Representatives passed *The ESG Disclosure Simplification Act* in June 2021. The bill (not adopted by the US Senate) requires issuers to disclose to shareholders certain environmental, social, and governance metrics and how they connect to long-term business strategies. The bill also establishes the Sustainable Finance Advisory Committee which must recommend to the SEC policies to facilitate the flow of capital towards environmentally sustainable investments.[21]

Further details on North American issuer regulations are in Appendix III - Table 7

Europe and the United Kingdom

European Union

[19] https://www.ris.bka.gv.at/Dokumente/BgblAuth/BGBLA_2017_I_104/BGBLA_2017_I_104.html
[20] https://www.sec.gov/news/public-statement/lee-climate-change-disclosures
[21] https://www.congress.gov/bill/117th-congress/house-bill/1187

The United Nations Framework Convention on Climate Change (**UNFCCC**) Paris Agreement[22] of 2016 aims to strengthen global response to the threat of climate change by dealing with greenhouse gas emission mitigation, adaption, and finance. This has been the source of several EU regulations.

United Kingdom

Mandatory TCFD disclosures are in place for premium-listed companies (excluding investment companies). The UK is consulting on extending these rules to standard-listed companies and other large UK-registered companies and limited liability partnerships.

New European Regulatory Updates 2021

European Union:

The EU Commission published a proposed *Corporate Sustainability Reporting Directive* (CSRD) in April 2021[23]. It proposes development of sustainability-reporting standards for large companies and separate proportionate standards for SMEs (which non-listed SMEs can use voluntarily). The CSRD would align with other EU initiatives on sustainable finance, in particular the *Disclosure Regulation* and the *Taxonomy Regulation*. It aims to reduce complexity and the potential for duplicative reporting requirements. The proposal is that companies report information that investors and other financial market participants subject to the *Disclosure Regulation* need. Specifically, the reporting standards would include indicators that match the *Disclosure Regulation*.

CSRD would also extend the scope of the *Non-Financial Reporting Directive* (NFRD) to:

- All large companies, whether they are listed or not and with no minimum threshold for number of employees, and
- SMEs with securities listed on regulated markets (except listed micro-enterprises).

If the EU Parliament and Council reach agreement on the final legislative text of the proposal in the first half of 2022 then CSRD is likely to apply to annual reporting for financial year-ends beginning on or after 1 January 2023.

Further details on European issuer regulations are in Appendix III - Table 8

Asia and Australia

Stock exchanges have encouraged ESG disclosures for some time but are increasingly making public disclosures mandatory. Singapore is proposing to require issuers to subject sustainability reports to assurance by internal auditors.

Hong Kong and Singapore

Listed issuers in Hong Kong and Singapore are required to publish retrospective ESG and sustainability disclosures annually.

[22] https://unfccc.int/process-and-meetings/the-paris-agreement/the-paris-agreement

[23] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A52021PC0189

Hong Kong	Singapore
The Stock Exchange of Hong Kong (SEHK) requires mandatory disclosure of information such as ESG policies and strategy and board oversight. Disclosure is on a "comply or explain" basis and includes environmental information such as GHG emissions, use of resources, the environment and natural resources, and climate change.	The Singapore Exchange (SGX) requires ESG information to be disclosed on a "comply or explain" basis.

Mainland China

Efforts are being made to improve ESG disclosure for listed companies. The *Guidelines on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 2 and No. 3* (updated in June 2021) require listed companies to disclose administrative penalties for environmental issues in their annual and half-year reports. "Key polluting entities" have more stringent disclosure obligations for environmental information. Disclosure of companies' actions to reduce carbon emissions is encouraged on a voluntary basis.

New Asia and Australia Issuer Regulatory Updates 2021

Hong Kong:

The SEHK's ESG reporting requirements include some key recommendations of TCFD. In November 2021, it indicated a review of its ESG reporting framework to further align with TCFD recommendations, considering the HK SFC's plans for mandatory TCFD-aligned climate-related disclosures.

The SEHK proposed elaborating on the link between corporate governance and ESG and requiring ESG reports to be published at the same time as annual reports in a consultation on proposed amendments to corporate governance requirements launched in April 2021.

Singapore:

The SGX published consultation papers in August 2021[24], to further enhance ESG disclosure requirements, including a phased implementation of mandatory climate disclosures for certain sectors. Other proposals include requiring issuers to subject sustainability reports to assurance by internal auditors, and all directors to attend a one-time sustainability training.

Mainland China:

The People's Bank of China (PBOC), the National Development and Reform Commission (NDRC) and the China Securities Regulatory Commission (CSRC) published an updated *Green Bond Endorsed Project Catalogue* effective July 2021. The update unifies domestic standards, is more aligned with international classification standards, and adopts the internationally accepted principle of "no significant harm". "Clean use of coal" and several projects using or producing fossil fuels have been removed from the catalogue.

[24] https://www.sgx.com/regulation/public-consultations/20210826-consultation-paper-climate-and-diversity

The Ministry of Ecology and Environment of China issued its *Plan for Reform of the Environmental Information Disclosure Regime*[25] in May 2021. This aims to put in place a mandatory environmental information disclosure regime for certain types of entities by 2025, including key polluting entities, some listed companies and bond issuers. Draft administrative measures and protocols were published in September 2021 for public consultation. The protocols are intended to be used as a standard for environmental information disclosure in IPO and bond prospectuses.

Australia:

TCFD reporting is not mandatory in Australia, but there is increasing expectations that companies do so. The Australian Securities and Investments Commission (**ASIC**) disclosed, in February 2021, that it has engaged in surveillance on several large, listed companies across a range of sectors to observe compliance with TCFD. ASIC intervened in an energy company IPO in September 2021, to clarify 'net zero' GHG emission statements, suggesting more proactive testing of the scope and 'grounds' for net zero commitments in future.

Further details on Asian and Australian issuer regulations are in Appendix III - Table 9

Social and Human Capital

Regulators in several countries now require companies to disclose certain employee pay statistics, such as CEO compensation and gender pay gap data. US Regulators are considering rules requiring public companies to disclose information on human capital management policies, practices, and performance.

Issuers, in some jurisdictions, are required to disclose and take positive action in respect of human rights, working conditions, health and safety, local communities, employee relations, and diversity.

North America

United States

Several US States are adopting regulations to protect employees from pay discrimination, for example by banning employer requests for salary histories from job applicants, or the *Equal Pay Act* requiring men and women in the same workplace are paid equally for equal work. The US also has legislation requiring public companies to disclose the ratio of CEO annual compensation to the median of total annual compensation for all its employees.

Canada

Canada introduced pay transparency legislation, where companies with more than 100 employees must report compensation gaps based on gender, and other prescribed characteristics, on an annual basis.

Further details on North American issuer regulations are in Appendix III - Table 10

Europe and the United Kingdom

Gender Pay Gap Reporting

[25] https://www.mee.gov.cn/xxgk2018/xxgk/xxgk03/202105/t20210525_834444.html

The UK, Germany, France, and Spain all introduced gender pay gap legislation and similar legislation is proposed in the Netherlands. Each jurisdiction has approached the legislation slightly differently:

UK	Requires public disclosure where there are more than 250 employees.
Germany	Reporting is required for companies with more than 500 employees. For companies with more than 200 employees, information on the decision process for salaries can be requested.
France	Requirements apply to all firms regardless of size and the number of required metrics is higher.
Spain	No reporting is required, but companies with more than 50 employees must have an equality plan in place and keep records.
The Netherlands	Proposed legislation would require an external certificate confirming equal pay for equal work. Employees would be able to see anonymised data on wages for employees doing the same work.

United Kingdom

There is legislation on Modern Slavery, which includes annual reporting for companies with a turnover of more than GBP 36 million.

New Europe and UK Regulatory Updates 2021

United Kingdom:

The UK is also consulting on comply or explain diversity and inclusion targets to apply to boards and executive committees of UK listed companies[26].

Further details on European issuer regulations are in Appendix III - Table 11

Asia

There is relatively little legislation in Asia requiring reporting of social and human capital metrics - except for Australia which has similar gender equality and modern slavery legislation as the UK.

Hong Kong and Singapore

Listed issuers in Hong Kong and Singapore are required to publish annual ESG and sustainability reports. These include social and human capital elements such as: employment practices, health and safety, labour standards, product responsibility, supply chain management, and anti-corruption. There is no mandatory requirement to report pay ratios or gender pay gaps.

[26] https://www.fca.org.uk/publications/consultation-papers/cp21-24-diversity-inclusion-company-boards-executive-committees

Mainland China

The *Code of Corporate Governance for Listed Companies in China* (2018) requires listed companies to pay attention to the welfare and public interests of the community and the companies' social responsibilities, while still maximising the benefits for shareholders.

Further details on Asian and Australian issuer regulations are in Appendix III - Table 12

Governance and Gender Diversity

North America

Canada

Canada has legislation on diversity disclosures which are wider than gender and include: aboriginal persons, persons with disabilities, and members of visible minorities.

United States

The Governor of California, Gavin Newsom, signed into law a bill requiring public companies headquartered in the state to include board members from underrepresented communities in September 2020. This followed the passage of a similar law in 2018 mandating that public companies headquartered in the state have at least one woman on their boards by the end of 2019[27], with further future increases required depending on board size.

Further details on North American issuer regulations are in Appendix III - Table 13

Europe and the United Kingdom

Most European countries have legislation aimed at gender diversity on corporate boards, but approaches differ between countries. There are two main approaches:

Gender Targeting	Targeting a specific percentage of number of women on boards (Belgium, France, Netherlands, and Norway).
Equal Gender Participation	Aiming for gender balanced corporate boards (Austria, Germany, and Spain).

The UK also provides guidance on corporate governance through its *Corporate Governance Code*.

Further details on European issuer regulations are in Appendix III - Table 14

Asia and Australia

Hong Kong and Singapore

[27] https://www.fenwick.com/insights/publications/new-california-law-requires-representation-of-women-on-public-company-boards

Listed issuers in Hong Kong and Singapore are required to make corporate governance disclosures in their annual reports (as well as interim reports, in the case of Hong Kong) and comply with corporate governance principles and provisions, some of which are mandatory and others on a "comply or explain" basis.

Hong Kong and Singapore listed issuers are required to have a policy concerning the diversity of board members, and to disclose the policy and progress on implementing it in their annual reports. There is no specific requirement to disclose gender pay gap or similar information.

Mainland China

Under Mainland China's *Guidelines on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No 2*, listed companies should disclose information on their directors, supervisors, and senior management, including their gender.

Australia

The ASX Corporate Governance Council *Principles and Recommendations* set out recommended corporate governance practices for listed entities that they view as likely to achieve good governance outcomes and meet the reasonable expectations of most investors in most situations. The fourth edition was updated in 2019 with a focus on instilling a culture of acting lawfully, ethically, and responsibly, and includes recommendations that listed entities should:

- Have and disclose policies on anti-bribery and corruption, whistle-blowers, and diversity,
- Set and disclose measurable objectives for gender diversity, and for entities in the S&P/ASX 300, the measurable objective for achieving gender diversity in board composition should be a minimum of 30% of each gender, and
- Disclose whether it has material exposure to environmental or social risks, and, if it does, how it manages those risks.

New Asia and Australia Regulatory Updates 2021

Hong Kong:

The SEHK consulted on enhancements to corporate governance related requirements in April 2021. These included mandatory disclosure of numerical targets and timelines for achieving gender diversity at board level and across the workforce and requiring (on a "comply or explain" basis) an annual board review of the progress on implementing the diversity policy.

Singapore:

The SGX consulted on proposals to enhance ESG disclosure requirements in August 2021[28]. This would make it mandatory for issuers to have in place a board diversity policy (elevating from a "comply or explain" requirement) and require disclosure of specific information on the policy in annual reports.

[28] https://www.sgx.com/regulation/public-consultations/20210826-consultation-paper-climate-and-diversity

Further detail on Asia and Australia issue regulation is in Appendix III - Table 15

Appendix I – Detail of Regulation for Investors

North America

Table 1

Regulation and Enacted Legislation:

	Requirement	Source
United States California:	Climate-related Risk Assessments and Reporting Climate-related financial risk assessment must be completed before making investments. Pension funds must publicly report on their climate-related financial risks every three years starting in 2019.	California: California Bill 964, the Pension Fund Climate Law
United States Illinois:	Establishment of Sustainable Investment Policies All public or government agencies involved in managing public funds in Illinois must develop, publish, and implement sustainable investment policies.	Illinois: HB 2460, the Sustainable Investing Act (effective 01/2020)
United States New York:	Investment Restrictions The Common Retirement Fund must divest from all direct and indirect investments in companies that meet the Bill's definition of coal producers within 2 years and oil or gas producers within 5 years.	State of New York: S.2126-A, the Fossil Fuel Divestment Act (2015)

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United States:	Amending ERISA to permit retirement plans to consider certain ESG factors in investment decisions. Financial Factors in Selecting Retirement Plan Investment Act bill was introduced in both the House and Senate and seeks to provide legal certainty to 401(k) plans that choose to consider ESG factors in their investment decisions or offer ESG investment options.	US Congress Financial Factors in Selecting Retirement Plan Investments Act
United States:	ESG Disclosure Simplification Act of 2021 Once passed, it would impose new ESG due diligence and disclosure requirements on publicly traded companies. Among other things, certain companies will be required to disclose their commitments to ensuring that environmental, social (human rights), and good governance standards are reflected in their operations, activities, and supply chains.	US Congress ESG Disclosure Simplification Act of 2021

Europe and the United Kingdom

Table 2

Regulation and Enacted Legislation:

	Requirement	Source
European Union:	Engagement of Long-term Shareholders Long term shareholders must focus on transparency between traded companies and investors, including identification of related-party transactions and voting on the CEO/board's remuneration plans.	Shareholder Rights Directive II (2017)
European Union:	Enhanced ESG Disclosure For large public interest entities with more than 500 employees, public disclosures, such as annual reports, must include a range of ESG topics on a 'comply or explain' basis.	Non-Financial Reporting Directive (2014/95)
France:	Enhanced ESG Disclosure Annual reporting must include disclosure of how ESG risks are factored into investment decisions and how investors' policies align with the national strategy for energy.	Article 173 of the Energy Transition Law (2015)
United Kingdom:	Stewardship Responsibilities Twelve voluntary apply and explain principles for asset owners and asset managers and producing an annual stewardship report. Signatories must ensure their investment decisions are aligned with their clients' needs, considering ESG. This must be exercised across asset classes beyond listed equity (e.g., fixed income bonds, private equity) and across geographies, in investments outside the UK.	UK Stewardship Code (2020)

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United Kingdom:	Social Investment by Pension Funds The barriers to social investment by pensions funds were identified as structural and behavioural rather than legal or regulatory. The government has agreed to work towards implementing reforms proposed by the Law Commission.	Law Commission recommended reforms (2017)

Asia

Table 3

Regulation and Enacted Legislation:

	Requirement	Source
Hong Kong:	Responsible Investing The SFC's *Principles of Responsible Ownership* provide guidance on how investors should fulfil their ownership responsibilities in relation to investments in Hong Kong listed companies. The principles are voluntary and non-binding. Investors are encouraged to adopt the principles and disclose to their stakeholders that they have done so. Investors who do not think the principles are relevant or suitable for them are encouraged to disclose why the principles have not been adopted and, if applicable, explain what alternative measures they have in place. Principle 2 states that investors should encourage their investee companies to have ESG policies and engage with the companies on ESG issues that have the potential to impact the companies' goodwill, reputation, and performance.	Principles of Responsible Ownership (March 2016)
Singapore:	Responsible Investing The Stewardship Asia Centre's *Singapore Stewardship Principles for Responsible Investors* are voluntary and seek to enable institutional investors who are asset owners and asset managers to be active and responsible shareholders. Principle 2 states that responsible investors should communicate regularly and effectively with their investee companies. This ensures mutual understanding and achievement of objectives, to meet the aims of long-term value creation, capital efficiency, and sustainable growth. Principle 3 states that where investors observe any deviation from applicable corporate governance practices (including *Singapore's Code of Corporate Governance*), they should carefully consider the explanations given for the deviation, assess the reasons, and if necessary, act as they see fit.	Singapore Stewardship Principles for Responsible Investors (November 2016)
Mainland China:	Responsible Investing AMAC's *Green Investment Guidelines* (for Trial Implementation) are voluntary and aimed at both publicly and privately offered securities investment funds, managers of asset management plans, and their products.	Green Investment Guidelines (for Trial Implementation) (November 2018) (English/Chinese)

	Article 5 of the guidelines state that fund managers and other professional institutional investors should play an exemplary role as responsible investors and work proactively to establish a long-term mechanism in line with green or ESG investment norms. Article 6(4) states that fund managers should adopt responsible investment practices and leverage investors' rights to urge investee enterprises to improve their environmental performance and information disclosure.

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
Singapore:	The Stewardship Asia Centre launched a consultation in November 2021 to revise the 2016 *Singapore Stewardship Principles for Responsible Investors* aiming to encourage better stewardship among investors. Proposed changes include the definition of stewardship, internal structures and governance, stewardship beyond listed equity, ESG considerations in investment decision-making, and outcomes of stewardship.	Consultation paper: Singapore Stewardship Principles for Responsible Investors 2.0 (November 2021)

Appendix II – Detail of Regulation for Investment Managers

North America

Table 4

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United States:	Fund Names not to be Misleading Originally, Rule 2001 was aimed at mutual fund managers, but it now covers all investment advisers. This consultation raised the question whether the rules should be updated to cover funds that have names including words such as “impact”, responsible”, “sustainable” or “ESG". The focus is on the degree of investor reliance on terminology, and whether requirements are needed to classify funds.	US SEC: Request for Comments on Fund Names: Consultation on Rule 2001 on fund names (2020)

Europe and the United Kingdom

Table 5

Regulation and Enacted Legislation:

	Requirement	Source
European Union:	Transparency in the Financial Services Sector The Disclosures Regulation aims to clarify and harmonise existing disclosure requirements for "financial market participants" on ESG matters[29]. An AIFM is required among other things to: 1. Publish policies on the integration of sustainability risks in the investment decision-making process on its website, 2. Publish a statement on adverse sustainability impacts on its website, 3. Pre-contractually disclose the way sustainability risks are integrated into its investment decisions, 4. Pre-contractually disclose the likely impact of sustainability risks on the financial returns of the fund, 5. Pre-contractually disclose a statement on adverse sustainability impacts at product level, 6. Where the product promotes environmental or social characteristics, the pre-contractual disclosures must include information on how those characteristics are met – and if an index has been designated as a benchmark, information on whether and how this index is consistent with those characteristics, 7. Where a product has sustainable investment as its objective, the pre-contractual disclosure must include information on a reference benchmark or an explanation on how that objective is to be attained in the absence of a reference benchmark (specific disclosures in case of carbon emission reduction objective), and 8. Where the product promotes environmental or social characteristics or has sustainable investment as its objective, additional disclosures on websites and in periodic reports are required. Regulatory Technical Standards (RTS) on the content, methodologies, and presentation of disclosures under the EU Disclosures Regulation were published in February 2021 as part of the final report of the EU Supervisory Authorities (ESAs)[30]. In October 2021, the ESAs released the final Report on Taxonomy-related RTS with additional implementing provisions on content, methodologies and presentation of Taxonomy-	Disclosures Regulation (EU 2019/2088) Joint ESAs Final Report on RTS under Disclosures Regulation (JC 2021 03)

[29] This includes AIFMs, UCITS management companies and investment firms carrying out portfolio management in relation to a wide range of financial products (AIFs, UCITS, PEPPS and IORPS).

[30] https://www.esma.europa.eu/sites/default/files/library/jc_2021_03_joint_esas_final_report_on_rts_under_sfdr.pdf

	related disclosures.[31] EU Commission will bundle both RTS in a single delegated act. While the Disclosure Regulation applies from March 2021, the RTS delegated act is supposed to apply from January 2023 (cf. EU Commission's Letter on RTS deferral dated 25. November 2021[32]). For a detailed analysis see also: https://insights.hsf.com/esg-timeline/p/1	
European Union:	Framework for Sustainable Investment This sets the basic ground rules for defining the economic activities that are considered environmentally sustainable and serves as the governing standard for any future regulation by the EU or any EU country on environmentally sustainable products. Enterprises required to report under the Non-Financial Reporting Directive (i.e., large public-interest companies (with more than 500 employees), including companies with EU-listed debt or equity, banks and insurance companies and other designated national authorities), must disclose the extent to which they are environmentally sustainable, consistent with the Taxonomy Regulation. Hedge fund managers and other financial market participants must disclose the investments underlying the financial products – even of investments in a company not subject to the Non-Financial Reporting Directive – if they are promoted for their environmental or social characteristics, or have sustainability as their objective or, alternatively, include a disclaimer if they do not. According to the Taxonomy Regulation, to qualify as 'sustainable', an activity must meet three criteria: 1. It must make a substantive contribution to one or more of the following six objectives: ▪ Climate change mitigation, ▪ Climate change adaptation, ▪ Sustainable use and protection of water and marine resources, ▪ Transition to a circular economy, ▪ Pollution prevention and control, and/or ▪ Protection and restoration of biodiversity and ecosystems. 2. It must not do significant harm to any of the other objectives listed in 1; and	Taxonomy Regulation (EU 2020/852) EU Taxonomy Climate Delegated Act (C(2021) 2800 final) Commission Delegated Regulation on Article 8 Disclosures (C(2021) 4987 final)

[31] https://www.esma.europa.eu/sites/default/files/library/jc_2021_50_-_final_report_on_taxonomy-related_product_disclosure_rts.pdf
[32] https://www.esma.europa.eu/sites/default/files/library/com_letter_to_ep_and_council_sfdr_rts-j.berrigan.pdf

3. It must meet certain minimum social and governance safeguards – including those set forth in the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights.

The EU´s Technical Expert Group on Sustainable Finance (TEG) published its final report in March 2020 along with a technical annex setting out its recommendations on the design and implementation of the Taxonomy Regulation. The EU Commission adopted the EU Taxonomy Climate Delegated Act on 4 June 2021 including the requirements of the Taxonomy Regulation, the recommendations in the TEG report, the stakeholder feedback received on the inception impact assessment, and feedback received during the feedback period on the draft technical screening criteria. A complementary Delegated Act will be adopted later in 2021 on agriculture and certain energy sectors, which has not yet been included in the Climate Delegated Act. In addition, another Taxonomy Climate Delegated Act will focus on activities making a substantial contribution to the other four environmental objectives. The first company reports and investor disclosures using the Taxonomy Regulation are due at the start of 2022.
In addition, on 6 July 2021, the EU Commission adopted the delegated act supplementing Article 8 of the Taxonomy Regulation to assist entities with the implementation of the Taxonomy's requirements, including the disclosure of information relating to how, and to what extent, the activities of those to which the Taxonomy applies are in alignment with the environmentally sustainable activities detailed in the Taxonomy Regulation.

For a detailed analysis see also: https://www.herbertsmithfreehills.com/latest-thinking/the-taxonomy-regulation-an-overview and https://insights.hsf.com/esg-timeline/p/1

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	**Source**
United Kingdom:	Mandatory TCFD Disclosures by Asset Managers The UK Government consulted on mandatory TCFD disclosures by UK-authorised asset managers, both at entity level and in relation to any products they manage	FCA Consultation Paper (June 2021)
United Kingdom:	Green Taxonomy and Sustainability Disclosure Requirements Rules expected to be implemented in relation to labelling, green taxonomy and sustainability	FCA Discussion Paper (November 2021)

	disclosures, applicable to asset managers and their investment products	

Guidance:

	Purpose	Source
European Union:	Green Bond Standard Recommendations on the practical application of the green bond standard to assist issuers, verifiers, and investors.	Usability guide (2020)

Asia

Table 6

Regulations and Guidance (current and upcoming):

	Purpose	Source
Hong Kong:	Green or ESG Funds This SFC circular provides guidance to management companies of SFC-authorised unit trusts and mutual funds on enhanced disclosure for green or ESG funds. It sets out the SFC's expectations on how its existing codes and guidelines apply to such funds, including requirements relating to naming of funds, disclosure in offering documents, and ongoing monitoring underlying investments. This is in light of the SFC's preliminary review which indicated that the quality of disclosure by such funds varied widely. The circular applies to SFC-authorised funds which: • incorporate one or more of the globally recognised green or ESG principles set out in the circular (or other principles to be considered on a case-by-case basis) as their key investment focus; and • reflect such in their name and investment objective or strategy. The circular will be replaced by the SFC's circular of 29 June 2021 (see below) with effect from 1 January 2022.	SFC circular to management companies of SFC-authorised unit trusts and mutual funds - Green or ESG funds (11 April 2019) (Effective until 31 December 2021)
Hong Kong:	ESG Funds This SFC circular will replace the circular of 11 April 2019 above with effect from 1 January 2022. It provides updated guidance to management companies of SFC-authorised unit trusts and mutual funds on enhanced disclosures for funds which incorporate ESG factors as their key	SFC circular to management companies of SFC-authorised unit trusts and mutual funds – ESG funds (29 June 2021) (Effective from 1 January 2022)

	Purpose	Source
	investment focus and reflect such in their investment objective and/or strategy (ESG funds). The circular sets out the SFC's expectations on how its existing guidance applies to ESG funds, and covers requirements relating to naming of funds, disclosure in offering documents, disclosure of additional information, periodic assessment and reporting, ongoing monitoring, and application of the circular to UCITS funds. In particular, the circular includes a new requirement for ESG funds to conduct and disclose periodic assessments of how they incorporate ESG factors and provides additional guidance for ESG funds with a climate-related focus.	
Hong Kong:	Management and Disclosure of Climate-related Risks by Fund Managers The recently revised SFC Fund Manager Code of Conduct requires fund managers managing collective investment schemes (CISs) - but not discretionary accounts - to take climate-related risks into consideration in their investment and risk management processes and to make appropriate disclosures. The requirements cover four key elements: governance, investment management, risk management, and disclosure, and refers to TCFD recommendations. The circular sets out the expected standards for complying with the revised code. These include: ▪ Baseline requirements for fund managers managing CISs, and ▪ Enhanced standards for fund managers with CIS under management which equal or exceed HK$ 8 billion in fund assets for any three months in the previous reporting year (large fund managers). Large fund managers are required to comply with the baseline requirements from 20 August 2022 and the enhanced standards from 20 November 2022 (subject to exceptions), and other fund managers are required to comply with the baseline requirements from 20 November 2022.	Revised Fund Manager Code of Conduct and circular on management and disclosure of climate-related risks by fund managers (Effective from 20 August 2022)
Singapore:	Environmental Risk Management The guidelines set out MAS's expectations on environmental risk management for fund management companies and real estate investment trust managers, in areas relating to governance and strategy, research and portfolio construction, portfolio risk management (including	Guidelines on Environmental Risk Management (Asset Managers) (December 2020) (Effective from June 2022) Handbook on Implementing Environmental Risk Management (January 2021)

	Purpose	Source
	scenario analysis or stress testing), stewardship, and disclosure of environmental risk information. The guidelines cover environmental risks beyond climate change, such as pollution, loss of biodiversity, and changes in land use. MAS has provided an 18-month transition period (until June 2022) for compliance with the guidelines. It indicated in December 2020 that it would start engaging the larger asset managers on their implementation progress from Q2 2021. The Green Finance Industry Taskforce subsequently published its *Handbook on Implementing Environmental Risk Management* in January 2021 to facilitate financial institutions' implementation of the above guidelines. The handbook shares practical implementation guidance and good practices on environmental risk management. In May 2021, the *Financial Institutions Climate-Related Disclosure Document* was published to highlight leading environmental disclosure practices to serve as a practical reference to asset managers and other financial institutions.	Financial Institutions Climate-Related Disclosure Document (May 2021)
Mainland China:	Green Investment Guidelines These guidelines, published by AMAC in November 2018, are aimed at both publicly and privately offered securities investment funds, managers of asset management plans and their products. The guidelines are voluntary and include guidance on asset evaluation methods, environmental risk assessments, information disclosure, and green investment products and strategies. Fund managers are encouraged to establish internal systems which can effectively assess the environmental performance of the assets they manage. They are also encouraged to conduct a green investment self-assessment annually and submit their self-assessment reports relating to each calendar year to AMAC by end of March in the following year.	Green Investment Guidelines (for Trial Implementation) (November 2018) (English/Chinese)

Proposed Guidance that has not yet been adopted:

	Purpose	Source
Singapore:	Identifying a Green Taxonomy and Standards *The Green Finance Industry Taskforce consultation paper* sets out a proposed taxonomy for Singapore-based financial institutions to identify and classify activities that can be considered green or in transition. ▪ The proposed taxonomy includes transition activities allowing for a progressive shift towards greater sustainability while accounting for starting positions and supporting inclusive economic and social development. ▪ Proposals are sought on environmental objectives, focus sectors, and a "traffic-light" system which sets out how activities can be classified as green, yellow (transition), or red according to their level of alignment with environmental objectives. The taskforce will develop, in its next phase of work, a combination of principle-based criteria and quantifiable thresholds for activities, to provide clarity and ease the implementation of the taxonomy by financial institutions.	Consultation paper – Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN (January 2021)
Singapore:	Disclosure Standards for ESG Retail Funds In a speech in September 2021, Mr Ravi Menon, the Managing Director of MAS, indicated that MAS will set out its regulatory expectations on the disclosure standards for retail funds in Singapore with an ESG investment objective in early 2022. These include standards relating to disclosure in offering documents and periodic updates to investors on whether the investment objective of an ESG fund has been met.	Speech

Appendix III – Detail of Regulation for Issuers

Environment and Climate Risk

North America

Table 7

Regulation and Enacted Legislation:

	Requirement	Source
United States:	Climate Change Disclosures Disclosures suggested on the impact of regulations concerning climate change.	US SEC Disclosure Requirements (2010)

	Requirement	Source
United States:	Executive Order on Tackling the Climate Crisis at Home and Abroad This executive order commits the US to net zero emissions, economy wide, by 2050.	Executive Order on Tackling the Climate Crisis at Home and Abroad | The White House
Canada:	Climate Change Disclosures The guidance in this notice is focused on issuers disclosure obligations as they relate to the MD&A and AIF, including how they might approach preparing disclosures of material climate change-related risks.	CSA (Canadian Securities Administrators): Staff Notice 51-358

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United States:	Simplification of Disclosure Requirements In July 2019, the House Financial Services Committee held hearings on a series of ESG related bills, including the *Climate Risk Disclosure Act* and the *ESG Disclosure Simplification Act*. *The Climate Risk Disclosure Act* would require public companies to disclose critical information about their exposure to climate-related risks. The *ESG Disclosure Simplification Act* would require the US SEC to issue rules that define ESG metrics and require companies to disclose their views about those metrics to their shareholders and the US SEC annually. The bill would also establish a sustainable finance advisory board.	The Climate Risk Disclosure Act and The ESG Disclosure Simplification Act (2019)
United States:	Climate Change Disclosures This bill directs the SEC to require issuers to annually disclose information on climate change-related risks, including the strategies and actions to mitigate these risks. Specifically, issuers must report their direct and indirect GHG emissions and disclose their fossil fuel-related assets.	US Congress - H.R.2570 - Climate Risk Disclosure Act of 2021
United States:	Climate Leadership and Environmental Action for our Nation's Future Act or the CLEAN Future Act This bill creates requirements and incentives to reduce GHG emissions. The bill establishes an interim goal to reduce GHG emissions to at least 50% below 2005 levels by 2030, as well as a national goal to achieve net-zero GHG emissions by 2050. Each	US Congress H.R.1512 - CLEAN Future Act

	federal agency must develop a plan to achieve the goals.	

Europe and the United Kingdom

Table 8

Regulation and Enacted Legislation:

	Requirement	Source
United Kingdom:	Climate-related Financial Disclosures by Issuers The UK government introduced TCFD disclosures which, to date, apply to premium-listed companies (excluding investment companies).	UK Listing Rules

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
European Union:	Corporate Sustainability Reporting Directive On 21 April 2021, the EU Commission published a proposal for a *Corporate Sustainability Reporting Directive* (CSRD). The CSRD would align with other EU initiatives on sustainable finance, in particular the *Disclosure Regulation* and the *Taxonomy Regulation*. The aim is to reduce complexity and the potential for duplicative reporting requirements. The proposal aims to ensure companies report information that investors and other financial market participants subject to the Disclosure Regulation require. Specifically, it means that the reporting standards would include indicators that correspond to the indicators contained in the *Disclosure Regulation*. It would extend the reporting rules under the NFRD to all large companies, whether they are listed or not and without a minimum threshold in relation to number of employees; and SMEs with securities listed on regulated markets (except listed micro-enterprises). The next step is for the European Parliament, and the Member States in the Council, to negotiate a final legislative text based on the Commission's proposal. In parallel, the European Financial Reporting Advisory Group (EFRAG) will work on a first set of draft sustainability reporting standards. These draft standards could be ready for consideration by the EU Commission once the Parliament and Council have agreed a legislative text. The first set of draft standards are aimed to be ready by mid-2022.	Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as regards corporate sustainability reporting

European Union:	European Green Bond Standard On 6 July 2021, the EU Commission proposed a Regulation on a new voluntary European Green Bond Standard (EU GBS). This proposal aims to create a voluntary standard for all issuers, both private and sovereigns, to assist financing sustainable investments. The EU GBS will set a 'gold standard' on how companies and public authorities can raise funds in the capital markets through green bonds, while meeting the strict sustainability requirements, addressing greenwashing concerns and protecting market integrity to ensure they are financing legitimate environmental projects. The new EU GBS will be open, on a voluntary basis, to any issuer in and outside the EU including corporates, financial institutions, governments, and other public bodies.	Proposal for a Regulation of the European Parliament and of the Council on European Green Bonds (COM (2021) 391 final)
United Kingdom:	Climate-related Financial Disclosures by Issuers The UK government has consulted on TCFD disclosures to apply to standard-listed companies and other large UK registered companies and limited liability partnerships.	FCA Consultation Paper (June 2001)
United Kingdom:	Diversity and Inclusion on Company Boards and Executive Committees The UK government consulted on setting "comply or explain" targets in relation to gender and ethnic diversity on company boards and executive committees of UK-listed companies.	FCA Consultation Paper (July 2021)

Guidance:

	Requirement	Source
European Union:	EcoLabel - Environmental Labelling Established in 1992 as a 'label of environmental excellence', products and services that meet certain environmental standards throughout their life cycle (from raw material extraction to production, distribution, and disposal) can be accredited with the EcoLabel. This aims to promote the circular economy and encourage companies to develop products that are easy to repair and recycle.	EcoLabel (1992)

Asia

Table 9

Regulation and Enacted Legislation:

	Requirement	Source
Australia:	Reporting Disclosures ASIC recognises in its guidance climate change as a systemic risk that could have a material impact on the future financial position, performance, or prospects of companies. Directors are now on notice that climate change is a potential area of risk they need to at least consider (if not disclose) when reviewing material risks for disclosure in their annual reporting.	Corporations Act and Regulatory Guide 247 (Effective disclosure in operating and financial review)
Australia:	Sustainability Disclosures Entities listed on the Australian Securities Exchange (**ASX**) are recommended to disclose whether they have material exposure to environmental and social risks, and, if so, how it manages or intends to manage those risks. Exposure should be measured by reference to TCFD, and entities should consider making TCFD disclosures. Under the *Principles and Recommendations*, if the board of a listed entity considers that a recommendation is not appropriate, it is entitled not to adopt it. If it does so, however, it must explain why it has not adopted the recommendation.	ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) 4th edition
Australia:	Sustainability Disclosures The Australian Council of Superannuation Investors (**ACSI**) represents most superannuation investors in Australia. ACSI released a new detailed policy outlining its expectations for ASX-listed companies exposed to climate-related risks. Key aspects of ACSI's expectations include: ▪ Adopting TCFD reporting, ▪ Aligning with net zero emissions by 2050, ▪ Undertaking scenario analysis, and ▪ Setting Paris-aligned emissions targets.	ACSI Governance Guidelines
Hong Kong:	Environmental Policy Disclosures Company directors (with some exceptions) are required to prepare a directors' report for each financial year which includes a business review. The business review must include a discussion on the company's environmental policies and performance.	Companies Ordinance Schedule 5, Section 2

	Requirement	Source
Hong Kong:	ESG Disclosures The listing rules for the Main Board and the GEM board of the SEHK refer to the Environment, Social and Governance Reporting Guide (ESG Reporting Guide): ▪ Listed issuers must disclose the information required under the "Mandatory Disclosure Requirements" in Part B of the ESG Reporting Guide. They include a board statement on its oversight of ESG issues, management approach and strategy, and how it reviews progress made against ESG-related goals and targets, as well as the reporting principles and reporting scope. ▪ Listed issuers must state whether they have complied with the "comply or explain" provisions set out in Part C of the ESG Reporting Guide. Considered reasons for deviating from such provisions should be provided. ▪ Listed issuers must publish their ESG reports annually for the same period as their annual reports. ESG reports may be presented as information in the issuers' annual reports or separately. The ESG reports should be published as close as possible to, and no later than five months after, the end of the financial year. The SEHK has also published various guidance and FAQs to assist listed issuers and their directors in complying with their obligations. The latest is the *Guidance on Climate Disclosures* published on 5 November 2021, which aims to provide practical guidance to facilitate listed companies in complying with the TCFD recommendations, elements of which are incorporated into the ESG Reporting Guide.	SEHK Main Board listing rule 13.91 GEM board listing rule 17.103 ESG Reporting Guide (Main Board listing rules Appendix 27) GEM board listing rules Appendix 20) Guidance on Climate Disclosures (November 2021)
Singapore:	ESG Disclosures SGX-listed issuers must issue a sustainability report for its financial year, no later than 5 months after the end of the financial year. The sustainability report must describe the sustainability practices with reference to the following primary components (or explain why not): ▪ Material ESG factors, ▪ Policies, practices, and performance, ▪ Targets, ▪ Sustainability reporting framework, and ▪ Board statement.	SGX Main Board listing rules 711A and 711B Catalist listing rules 711A and 711B SGX Sustainability Reporting Guide (2018)

	Requirement	Source
	The Sustainability Reporting Guide provides guidance on the expected structure and contents and the preparation of the sustainability report. ▪ Listed issuers should review their business value chain and determine the material ESG factors relating to interactions with the physical environment and social community, and their governance. ▪ Issuers are expected to report the criteria and process by which their selection has been made with reference to how these factors contribute to the creation of value for them.	
Mainland China:	Environmental Disclosure All listed companies are required to disclose in their annual reports and half-year reports any administrative penalties relating to environmental issues received during the reporting period. The "key polluting entities" are under more stringent disclosure obligations relating to environmental information, such as disclosure of pollution discharge status, the construction and operation of pollution prevention and control facilities, environmental impact assessment, emergency response plan, and status of pollution control facilities. Disclosure of companies' actions to reduce carbon emissions is encouraged on a voluntary basis.	Guidelines on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 2 – Annual Reporting (June 2021) (Unofficial English translation/Chinese) Guidelines on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No. 3 – Half-year Reporting (June 2021) (Chinese)
Mainland China:	Emission Disclosures Heavy emitters are required to disclose detailed information to the public in relation to their main pollutants.	Environmental Protection Law (2015) (Unofficial English translation/ Chinese)
Mainland China:	Green Bond Taxonomy The updated version of the *Green Bond Endorsed Project Catalogue* (2021), jointly published by the PBOC, the NDRC and the CSRC in April 2021, became effective on 1 July 2021. A major change was the deletion from the catalogue of "clean use of coal" and several projects using or producing fossil fuels. New technology projects such as carbon capture, utilisation and storage projects have been added. The updated catalogue also unifies domestic standards, is more aligned with international mainstream classification standards and adopts the internationally accepted principle of "no significant harm".	Green Bond Endorsed Project Catalogue (April 2021) (English/Chinese)

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
Singapore:	Enhanced ESG Disclosures The SGX's key proposals include: ▪ Phased implementation of mandatory climate-related disclosures consistent with TCFD recommendations – initially on a "comply or explain basis", with more sectors of issuers being required to provide mandatory disclosures from 2024 and 2025 onwards, ▪ Developing 27 non-mandatory core metrics to guide issuers in reporting material ESG factors, ▪ Requiring issuers to subject their sustainability reports to assurance by their internal auditors on accuracy and completeness, ▪ Requiring directors of issuers to attend a one-time training on sustainability, ▪ Making it mandatory for issuers to have in place a board diversity policy and to disclose enhanced information in their annual reports for financial years beginning on or after 1 January 2022.	SGX consultation paper – Climate and Diversity: The Way Forward (26 August 2021) SGX consultation paper – Starting with a Common Set of Core ESG Metrics (26 August 2021)
Hong Kong:	TCFD-aligned Climate Disclosures The SEHK's ESG reporting requirements incorporate certain key recommendations of the TCFD. In November 2021, the SEHK indicated that it would review its ESG reporting framework to further align with TCFD recommendations, in view of Hong Kong's plans for mandatory TCFD-aligned climate-related disclosures by 2025.	SEHK press release of 5 November 2021
Hong Kong:	Timing of ESG reports The SEHK launched a consultation in April 2021 on proposed amendments to the *Corporate Governance Code* and *Corporate Governance Report* (and other related listing rules), enhancing the standards for listed issuers in various areas. Some of the proposed enhancements relate to ESG, including elaborating on the link between corporate governance and ESG, and requiring ESG reports to be published at the same time as annual reports.	Consultation paper – Review of Corporate Governance Code and Related Listing Rules (April 2021)
Mainland China:	Environmental Disclosure In May 2021, the Ministry of Ecology and Environment of China issued its *Plan for Reform of the Environmental Information Disclosure Regime*, with the objective of putting in place a mandatory environmental information disclosure regime by	Plan for Reform of the Environmental Information Disclosure Regime (Chinese)

	2025. The entities expected to be subject to mandatory disclosure will include key polluting entities, entities under inspection for mandatory clean production, listed companies subject to criminal liability and major administrative penalties for unlawful environment-related conduct, bond issuers and other entities. In September 2021, the ministry published draft administrative measures and draft protocols for the disclosure of environmental information for public consultation, as part of the above plan. The protocols are said to be used as a standard for environmental information disclosure in IPO and bond prospectuses and may be used in other occasions pursuant to future laws and regulations.	Notification of public consultation on the Administrative Measures for the Legal Disclosure of Enterprise Environmental Information (Draft for Public Comment) and Protocols for the Legal Disclosure of Enterprise Environmental Information (Draft for Public Comment) (Chinese)

Social and Human Capital

North America

Table 10

Regulation and Enacted Legislation:

	Requirement	Source
United States:	Management Pay Gap Public companies are required to disclose the ratio between the annual compensation of the company's CEO, and the median of the total annual compensation of all its employees.	US SEC: Pay Ratio Disclosure Rule (2016)
United States:	The Equal Pay Act Requires that men and women in the same workplace be given equal pay for equal work (substantially equal jobs). Job content, not titles, determines this. All forms of pay are covered by this law, including salary, overtime pay, bonuses, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits. If there is an inequality in wages between men and women, employers may not reduce the wages of either sex to equalize their pay.	U.S. Equal Employment Opportunity Commission: Equal Pay/Compensation Discrimination
Canada:	Pay Transparency Companies more than 100 employees must annually report compensation gaps based on gender and other prescribed characteristics. Other requirements of the act are that all publicly advertised jobs must state the salary rate or range, and candidates cannot be asked about their past compensation.	Ontario Pay Transparency Act (2018)

	Requirement	Source
United States California:	Compensation History Private and public employers cannot seek a candidate's pay history or, where known, the employer is prevented from using the information to determine salary. If requested, employers are required to provide pay scale information to job applicants.	AB-168 Employers: salary information (2017-2018)
United States New York:	Compensation History Employers cannot ask about an applicant's pay history, nor can they rely on pay history in determining salary. Employers cannot discriminate or retaliate against a prospective employee for failing to disclose their pay history.	6549 (2019-2020 Regular Sessions)
United States Connecticut:	Compensation History Employers may not ask about an applicant's pay history unless it is voluntarily disclosed.	Substitute House Bill No. 5386, Public Act No. 18-8
United States Delaware:	Compensation History Employers are prohibited from screening applicants based on past compensation and cannot ask about salary history.	House Substitute No. 1 for House Bill No. 1

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United States:	Human Capital Disclosures The SEC has proposed to modernize its human capital reporting requirements, stating “[we] propose replacing the current requirement to disclose the number of employees with a requirement to disclose a description of the registrant’s human capital resources, including in such description any human capital measures or objectives that management focuses on in managing the business.”	US SEC: Proposed Rules on Human Capital Reporting (2019)

Europe

Table 11

Regulation and Enacted Legislation:

	Requirement	Source
European Union:	EU Conflict Minerals Regulation EU-established importers of the targeted minerals (regardless of form) must check what they are buying, ensure it has not been produced in a way that funds illegal practices, such as armed groups	Regulation (EU) 2017/821 of the European Parliament and of the Council of 17 May 2017

	Requirement	Source
	by following the five-step framework developed by the OECD.	
United Kingdom:	Gender Pay Gap Disclosures An organisation with more than 250 employees, must publish and report specific figures about their gender pay gap. Employers must publish their gender pay gap data with a written statement on their website and report their data to government.	Equality Act - Gender Pay Gap Regulations (2017)
Germany:	Gender Pay Gap Disclosures For companies with more than 200 employees, individual employees are entitled to request information about the criteria and determination of salaries. Companies with more than 500 employees must publish regular reports on pay structures.	Pay Transparency Act (2017)
France:	Gender Pay Gap Companies must adopt the goal of eliminating the gender pay gap. Companies must report indictors such as pay gap percentage, gap in the rate of salary increase, gap in the rate of promotions, and number of employees in the under-represented gender within the highest-paid employees.	Law on Professional Future (2018)
Spain:	Gender Pay Gap Companies with 50 or more employees must implement an equality plan and keep a record of average salaries according to gender, among other measures such as increasing the length of paternity leave.	Royal Decree- Law 6/2019
United Kingdom:	Modern Slavery Entities with turnover above GBP 36 million are required to prepare a slavery and human trafficking statement for each financial year. If it fails to do so, the Secretary of State may seek a High Court injunction requiring the organisation to comply. If the organisation fails to comply with the injunction, it will be in contempt of a court order, which is punishable by an unlimited fine.	Modern Slavery Act 2015

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
Netherlands:	Gender Pay Gap Companies more than 50 employees must apply for an external certificate showing that there is equal pay between men and women doing the same work. Employees may request anonymised details of wages of other employees doing the same work from the company.	Proposed bill on equal pay (2019)

Asia and Australia

Table 12

Regulation and Enacted Legislation:

	Requirement	Source
Australia:	Gender Equality in the Workplace The *Workplace Gender Equality Act 2012* (Cth) requires non-public sector employers with more than 100 employees to report annually to the Workplace Gender Equality Agency. Employers must report: ▪ Policies and strategies to address gender pay, parental leave, and sex-based harassment and discrimination, and ▪ Workforce statistics including information about the gender composition, position and remuneration, promotions, resignations, and parental leave, paid or unpaid.	Workplace Gender Equality Act 2012 (Cth)
Australia:	Modern Slavery Legislation requires Australian entities and foreign entities operating in Australia with at least AU$ 100 million annual consolidated revenue to prepare annual modern slavery statements covering their financial year. Reporting entities must provide their statements to the Australian government for publication on a central online website. Modern slavery statements must address seven mandatory criteria, including explaining what the entity is doing to assess and address the risk that modern slavery practices may be occurring in its global and domestic operations and supply chains and the operations of any entities it owns or	Modern Slavery Act 2018 (Cth)

	Requirement	Source
	controls. The legislation does not require entities to certify that the reporting entity is 'slavery free'.	
Hong Kong:	Social Disclosures Company directors are required to prepare a directors' report including a business review each financial year (with some exceptions). The business review must include an account of key relationships with employees, customers, suppliers, and others that have a significant impact on the company and on which the company's success depends.	Companies Ordinance Schedule 5, Section 2
Hong Kong:	ESG Disclosures *See Table 9 above for details on mandatory disclosure requirements, the "comply or explain" provisions, and the timing of publication of the ESG report.* For the "comply or explain" provisions, disclosure on social issues include employment, health and safety, development and training, labour standards, supply chain management, product responsibility, anti-corruption, and community investment. The SEHK has also published guidance and FAQs to assist listed issuers and their directors with compliance.	SEHK Main Board listing rule 13.91 GEM board listing rule 17.103 ESG Reporting Guide (Main Board listing rules Appendix 27 GEM board listing rules Appendix 20)
Singapore:	ESG disclosures *See Table 9 above for details.*	SGX Main Board listing rules 711A and 711B Catalist listing rules 711A and 711B SGX Sustainability Reporting Guide (2018)
Mainland China:	Social Responsibility Listed companies are required to consider the welfare and public interests of the community in which it operates, and to pay attention to the company's social responsibilities. This must be done while still maximising the benefits of its shareholders.	Code of Corporate Governance for Listed Companies in China (2018) (bilingual version)

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
Singapore:	Enhanced ESG Disclosures *See Table 9 above for details.*	SGX consultation paper – Climate and Diversity: The

		Way Forward (26 August 2021) SGX consultation paper – Starting with a Common Set of Core ESG Metrics (26 August 2021)

Governance and Gender Diversity

North America

Table 13

Regulation and Enacted Legislation:

	Requirement	Source
Canada:	Diversity Disclosures Diversity disclosure requirements are not only in relation to the representation of women, but also for Aboriginal persons, persons with disabilities, and members of visible minorities.	Regulations amending the Canada Business Corporations Regulations (2019)

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
United States California:	Gender Requirements Publicly held companies headquartered in California are required to have at least one female on its board of directors by 31 December 2019. By 31 December 2021: ▪ If a corporation has six or more directors on its board, then a minimum of three directors must be female, ▪ If a corporation has five directors on its board, then a minimum of two directors must be female, and ▪ If a corporation has four or fewer directors on its board, then a minimum of one director must be female.	State of California: Senate Bill No. 826 (Corporate Governance/Diversity) (2019)

Europe

Table 14

Regulation and Enacted Legislation:

	Requirement	Source
Austria:	Equal Gender Participation	Equal Participation of Women and Men on

	Requirement	Source
	Listed companies and companies with more than 1,000 employees must have a minimum of 30% women and 30% men in the governing body if the following criteria is met: ▪ The governing body consists of at least 6 members, and ▪ The employee base consists of at least 20% women or men.	Advisory Boards (Gleichstellungsgesetz von Frauen und Männern im Aufsichtsrat)
Belgium:	Gender Targeting At least one-third of board members of a listed company must be of a different gender than the other members.	Code of Companies and Associations (2019)
France:	Gender Targeting Listed companies and companies with more than 500 workers and turnover/total balance sheet of more than EUR 50 million during the last 3 years, are required to have at least 40% women members on their boards.	Commercial Code (Article L225-18-1) (2017)
Germany:	Equal Gender Participation Large, listed companies are required to have at least 30% of women on their Supervisory Boards – the requirement does not apply to the board of directors (the Executive Board) in the German two-tier structure.	Equal Participation of Women and Men in the Labor Market (2017)
Netherlands:	Gender Targeting Listed companies with more than 250 employees must have female directors on 30% of the board seats.	The Dutch Management and Supervisory Act (2012)
Norway:	Gender Targeting On the board of directors of public limited liability companies, both genders shall be represented in the following manner: ▪ If the board has two or three members, both genders shall be represented, ▪ If the board has four or five members, each gender shall be represented by at least two members, ▪ If the board has six to eight members, each gender shall be represented by at least three members, ▪ If the board has nine members, each gender shall be represented by at least four members, and ▪ If the board has more members, each gender shall represent at least 40% of the members of the board.	Public Limited Liability Act (Chapter 6 Section 11a.1) (2006)
Spain:	Equal Gender Participation Companies which are obliged to present unabridged financial statements of income, will	Constitutional Act 3/2007 of 22 March for effective

	Requirement	Source
	endeavour to include enough women on their boards of directors to reach a balanced presence of women and men. The Corporate Governance Code issued by the Spanish Securities and Exchange Commission (CNMV) states that companies which do not follow the recommendation of having a corporate board with 40% female positions, must provide an explanation of why that is the case.	equality between women and men (Article 75) (2007)

Guidance:

	Requirement	Source
United Kingdom:	Corporate Governance Premium listed companies[33] on the London Stock Exchange have reporting obligations on a comply or explain basis in relation to, among other things: ▪ The gender balance of those in senior management, ▪ Their policy on diversity and inclusion, and ▪ Board independence must be considered on an ongoing basis, and the chair should not remain in post beyond 9 years from being appointed to the board.	Corporate Governance Code (2018)

Asia and Australia

Table 15

Regulation and Enacted Legislation:

	Requirement	Source
Hong Kong:	Corporate Governance Disclosures The nomination committee (or board) of a listed issuer should have a policy on diversity of board members, and should disclose the policy, or a summary of the policy, in the corporate governance report. ▪ Diversity of board members can be achieved through consideration of factors such as gender, age, cultural and educational background, or professional experience. ▪ Each issuer should consider its own business model and specific needs and	SEHK Main Board listing rule 13.92 and GEM board listing rule 17.104 Corporate Governance Code and Corporate Governance Report (Main Board listing rules Appendix 14 and GEM board listing rules Appendix 15)

[33] A premium listing is typically used by large firms looking to benefit from an increased profile and highly liquid market. Premium Listed companies comply with the UK's highest standards of regulation and corporate governance, consequently they may enjoy a lower cost of capital through greater transparency and through building investor confidence.

	Requirement	Source
	▪ disclose the rationale for the factors it uses for this purpose. The Corporate Governance Code sets out: ▪ Principles of good corporate governance (mandatory), ▪ Code provisions (non-mandatory but must explain not following the provisions), and ▪ Recommended best practices (for guidance only). The principles, code provisions, and recommended best practices cover matters relating to directors, remuneration of directors and senior management and board evaluation, accountability and audit, delegation by the board, communication with shareholders and company secretaries. Listed issuers must include a corporate governance report in their annual reports. The corporate governance report must contain certain specified information, for example information on corporate governance practices, board of directors, directors' securities transactions, board committees, shareholder rights, and risk management and internal controls. The SEHK has also published various guidance and FAQs to assist listed issues and their directors in complying with their obligations.	
Singapore:	ESG Disclosures *See Table 9 above for details.*	SGX Main Board listing rules 711A and 711B and Catalist listing rules 711A and 711B SGX Sustainability Reporting Guide (2018)
Singapore:	Corporate Governance Disclosure A listed issuer must describe in its annual report its corporate governance practices referencing the principles and provisions of the *Code of Corporate Governance*. ▪ An issuer must comply with the "principles" of the code. ▪ Where an issuer's practices vary from any "provisions" of the code, it must explicitly state, in its annual report, the provision from which it has varied, explain the reason for variation, and explain how the	SGX Main Board listing rule 710 and Catalist listing rule 710 Code of Corporate Governance (2018) Practice Guidance (2021)

	Requirement	Source
	practices it had adopted are consistent with the intent of the relevant principle. The principles and provisions cover matters relating to the board, board performance, director and executive remuneration, accountability and audit, shareholder rights and engagement, and managing stakeholder relationships. Provision 2.4 of the code states that: ▪ The board and board committees should be an appropriate size and comprise of directors providing the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age. ▪ The company should disclose the board diversity policy and progress made towards implementing the policy in its annual report. The Practice Guidance complements the code by providing guidance on the application of the principles and provisions and setting out best practices. Adoption of such guidance is voluntary.	
Mainland China:	Annual report Disclosure Listed companies should disclose information on their directors, supervisors, and senior management, including their gender, in the annual reports.	Guidelines on the Content and Format of Information Disclosure by Companies Offering Securities to the Public No 2 (June 2021)

Guidance:

	Requirement	Source
Australia:	Diversity Objectives ASX listed entities are recommended (on a 'comply or explain' basis) to have a diversity policy and to set, and report against, measurable objectives for gender diversity in their annual reporting. For companies in the ASX300, one of those objectives is recommended to be (on a 'comply or explain' basis) that 30% of the directors on the board should be of either gender.	ASX Corporate Governance Council's Principles and Recommendations (ASX Recommendations) 4th edition

Proposed Legislation/Regulation that has not yet been adopted:

	Requirement	Source
Hong Kong:	Enhancing Corporate Governance Requirements including on Diversity The SEHK launched a consultation in April 2021 on proposed amendments to the *Corporate Governance Code* and *Corporate Governance Report* (and other related listing rules), enhancing the standards for listed issuers in the areas of: ▪ Corporate culture, ▪ Board independence, refreshment, and succession planning, ▪ Diversity - requiring mandatory disclosure of numerical targets and timelines for achieving gender diversity at both board level and across the workforce, stating that a single gender board is not considered to be a diverse board, and requiring (on a "comply or explain" basis) the board to review the progress of implementation of the diversity policy annually, ▪ Communication with shareholders, and ▪ ESG - showing the link between corporate governance and ESG and requiring ESG reports to be published at the same time as annual reports. The SEHK will also publish a new corporate governance guidance letter.	Consultation paper – Review of Corporate Governance Code and Related Listing Rules (April 2021)
Singapore:	Enhanced ESG Disclosures The governance and diversity proposals include: • Requiring directors of issuers to attend a one-time training on sustainability, • A mandatory board diversity policy and enhanced discloses in annual reports for financial years beginning on or after 1 January 2022 *See Table 9 above for details*	SGX consultation paper – Climate and Diversity: The Way Forward (26 August 2021) SGX consultation paper – Starting with a Common Set of Core ESG Metrics (26 August 2021)