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ESG UPDATES Issue 2/2022



To achieve corporate sustainability and generate long-term benefits, the integration of environmental, social and governance (ESG) factors into one company's business strategies, management and operation are the key to success. In our 'ESG Updates', it will include the latest updates on various aspects of ESG for your reference:

China introduces its first ESG disclosure guidance

The China Enterprise Reform and Development Society published the 'Guidance for Enterprise ESG Disclosure', China's first ESG disclosure guide. The guidance took effect on 1 June 2022.

ESG issues have gained a momentum in China in recent years, especially the increasing demand for companies to disclose ESG performance. The 'Guidance for Enterprise ESG Disclosure' is based on applicable Chinese laws, regulations and standards, as well as the context of China. It offers a fundamental framework for ESG disclosure.

Read more from the source:

<https://en.prnasia.com/releases/apac/china-releases-its-first-esg-disclosure-standard-with-ping-an-s-participation-361025.shtml>

Launch of Hang Seng Climate Change 1.5°C Target Index

A new Hong Kong stocks index that is in line with the Paris Agreement's carbon reduction targets has been recently launched. The Hang Seng Climate Change 1.5°C Target Index, which is a climate-conscious version of the Hang Seng Index, gives a

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wide exposure to Hong Kong-listed stocks while conforming to the Paris Agreement's carbon reduction targets.

The new index might be used as the basis for financial products, such as exchange-traded funds, that appeal to investors who want to integrate climate change into their portfolios. It is built from the Hang Seng Large-Mid Cap Investable Index universe, which represents about 85% of Hong Kong's entire stock market capitalisation with 310 constituents.

Read more from the source:

<https://www.etfstrategy.com/hang-seng-unveils-paris-aligned-hong-kong-equity-index-10339/>

'Room for improvement' in climate risk tools

Despite recent consolidation and technological innovation, climate risk instruments accessible to financial institutions have flaws in data inputs and breadth, according to an analysis by the UN Environment Programme Finance Initiative.

Based on the practical user experience of almost 50 banks and investors using existing climate risk management tools, the report stated that the relevance, breadth, and use of proxies by tools across physical risk, transition risk, and emissions data can be improved. It also stated that the tools are becoming more necessary to capture the effects of 'a wide variety of climate-related phenomena', such as physical, policy-driven transition, and legal risks, as well as the interaction between risks and financial system.

Read more from the source:

<https://www.esginvestor.net/room-for-improvement-in-climate-risk-tools-unep-fi/>

ISSB published the Exposure Draft, IFRS S1 and S2

The International Sustainability Standards Board published the Exposure Draft, IFRS S1 for general sustainability disclosures and IFRS S2 for climate-related disclosures where S1 focuses on disclosure of sustainability issues that may impact the company's enterprise value. For S2, it incorporates industry-based disclosure requirements drawn from Sustainability Accounting Standards Board standards, and builds on the Task Force on Climate-Related Financial Disclosures' recommendations.

The Climate Exposure Draft lays forth suggested rules for identifying, measuring, and disclosing climate related risks and opportunities. These non-financial data, along with data from an entity's general-purpose financial reporting, will help stakeholders analyse and predict future cash flows throughout the short, medium, and long terms of the transition.

Read more from the source:

<https://www.frascanada.ca/en/sustainability/documents/issb-ed-ifrs-s2>

How can BDO help?

Our ESG services team is a group of dedicated professionals trained in ESG reporting requirements, GRI Standard and ISO-14064, have knowledge about carbon audit, climate change, ESG due diligence, report assurance, stakeholder engagement and experienced in providing all the assistance required to meet your needs in enhancing ESG practice. Please do not hesitate to contact us and talk to our consultants. We are pleased to provide further insight or assistance.

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