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ESG UPDATES Issue 4/2022



The incorporation of environmental, social, and governance (ESG) aspects into a company's business strategies, management, and operations is the key to success in achieving corporate sustainability and generating long-term benefits. In our 'ESG Updates', it will include the latest updates on various aspects in ESG and practices for your reference:

Scope 3 greenhouse gas emissions disclosure requirements affirmed

The IFRS Foundation's International Sustainability Standards Board (ISSB) has made significant progress toward finalising its first two proposed sustainability-related disclosure standards, Draft IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and Draft IFRS S2 Climate-related Disclosures.

The ISSB decided overwhelmingly to impose business declarations on scope 1, scope 2, and scope 3 greenhouse gas emissions, using the current version of the Greenhouse Gas Protocol Corporate Standard. The ISSB will create relief options to assist enterprises in meeting the scope 3 standards as part of these requirements. This remedy will be considered at a later meeting and may include providing corporations extra time to give scope 3 disclosures and collaborating with governments on so-called 'safe harbour' arrangements.

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Other significant decisions made at their October conference include:

- Clarifying essential principles in the proposed general requirements standard;
- Facilitating interoperability with jurisdictional requirements; and
- Outlining its strategy to establishing future agenda objectives.

Read more from the source:

<https://www.ifrs.org/news-and-events/news/2022/10/issb-unanimously-confirms-scope-3-ghg-emissions-disclosure-requirements-with-strong-application-support-among-key-decisions/>

New climate scenarios for central banks and supervisors

For central banks and regulators, the Network for Greening the Financial System (NGFS) offers updated climate scenarios.

The scenarios also take into account anticipated losses from catastrophic weather events and particular effects of 'chronic climate changes' on the macroeconomy in addition to the nationally decided contributions stated by nations prior to COP26.

Due to the lead time required for the scenarios' completion, they do not, however, take into account the effects of the Ukraine-Russia conflict and the current energy crisis. Nevertheless, the scenarios 'remain informative' by highlighting the difficulties, viability, and advantages of continuing the transition to net zero while this situation is still present, according to NGFS.

The new scenarios have been released along with two other reports: 'Practical Lessons for the Development of Climate Scenarios with Extreme Weather Events from Emerging Markets and Developing Economies' and 'Climate Scenarios Sensitivity Analysis to Macroeconomic Policy Assumptions'.

Recent events have highlighted the fact that both climate change and the energy transition are already taking place, according to Ravi Menon, chair of the NGFS and managing director of the Monetary Authority of Singapore.

The disastrous repercussions of climate change are evident in the droughts in Europe and China, the floods in Pakistan, and the droughts in India. An early sign of a chaotic energy transition is the rise in fossil fuel prices brought on by the conflict in Ukraine.

Read more from the source:

<https://www.regulationasia.com/new-climate-scenarios-for-central-banks-supervisors/>

Data needed for inclusion in businesses' transition plans

A report from the Glasgow Financial Alliance for Net Zero (GFANZ) offers recommendations to businesses on the details they ought to include in their transition plans. It seeks to 'provide clarity' and assist businesses in creating solid transition strategies by elaborating on current advice.

Additionally, it aims to offer 'much-needed uniformity' in terms of criteria and data points that are needed by international finance institutions to assess the viability and development of business net-zero transition plans.

According to current estimation, just 30% of the businesses that report climate data to CDP are working on low-carbon transition plans, and only 1% of these businesses are now providing all the critical metrics linked to a credible transition plan. By increasing the quantity and credibility of transition plans, the report seeks to encourage financial institutions to fund the creation and execution of these plans.

Read more from the source:

<https://www.regulationasia.com/gfanz-issues-guidance-for-firms-transition-plans/>

Disclosure on TCFD recommendations remains low

Too few companies offer decision-useful climate-related financial information, according to the Task Force on Climate-related Financial Disclosures (TCFD).

Businesses all over world have increased their reporting of financial risks associated to climate change, but they are still falling short of the advised breadth of disclosures. In its 2022 status report, the TCFD saw a consistent rise in the number of firms reporting on this matter. However, as the TCFD pointed out, only 43% of the corporations disclosed in line with at least five of the TCFD's recommended disclosures for the fiscal year 2021, despite the fact that 80% of disclosed in line with at least one. These levels of disclosure fall short of the 11 suggested disclosures by the TCFD.

The TCFD's stated goal is that its recommendations to be widely adopted so that financial risks and opportunities associated to climate change will become an inherent element of businesses' risk management and strategic planning processes. The report indicates there may still be some progress to be made even though reporting in line with its recommendations is already required in many countries.

Read more from the source:

<https://www.esginvestor.net/firms-falling-short-of-full-climate-disclosure/>

How can BDO help?

Our ESG services team is a group of dedicated professionals who have been trained in ESG reporting requirements, GRI Standard, and ISO 14064, as well as knowledge of carbon audit, climate change, ESG due diligence, report assurance, stakeholder engagement. We are experienced in providing all the assistance needed to meet your needs in enhancing ESG practice. Please contact us and speak with one of our specialists. We are happy to give further information or support.



BDO'S SUPPORT AND ASSISTANCE

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong
Tel: +852 2218 8288
Fax: +852 2815 2239
info@bdo.com.hk

RICKY CHENG
Director and Head of Risk Advisory
Tel: +852 2218 8266
rickycheng@bdo.com.hk

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