International Platform on Sustainable Finance

State and trends of ESG disclosure policy measures across IPSF jurisdictions, Brazil, and the US

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List of Abbreviations and Acronyms

CSRD	Corporate Sustainability Reporting Directive
EFRAG	European Financial Reporting Advisory Group
ESG	Environmental, Social, Governance
EU	European Union
FSB	Financial Stability Board
GHG	Greenhouse gases
GRI	Global Reporting Initiative
G20	Group of Twenty
IFRS	International Financial Reporting Standard
IOSCO	International Organization of Securities Commissions
IPSF	International Platform on Sustainable Finance
<IR>	Integrated Reporting
KPI	Key Performance Indicators
NGFS	Network of Central Banks and Supervisors for Greening the Financial System
TCFD	Taskforce on Climate-related Financial Disclosures
SDGs	Sustainable Development Goals
SRI	Sustainable Responsible Investment
G20 SFWG	G20 Sustainable Finance Working Group

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Executive Summary

Transparency is crucial to enable financial market participants to evaluate and price-in sustainability risks and impacts when making investment decisions. To date, a lack of comparability of available or disclosed data and the varying degrees of scope, relevance, and completeness of sustainability disclosure regimes hamper financial actors' ability to consider sustainability risks and impacts systematically in their financial decisions. This report aims at supporting global efforts to improve sustainability disclosures as a key cornerstone of sustainable finance, and at facilitating corresponding policy co-operation amongst members of the International Platform on Sustainable Finance (IPSF) – and beyond.

In a first step, this report provides an overview of the state of environmental, social and governance (ESG) disclosure related policy measures, including laws, regulations, but also recommendations and guidelines, across IPSF jurisdictions, Brazil and the US. It further describes the key characteristics of the different approaches and thereby identifies emerging global trends and key gaps that need to be addressed to effectively and substantially enhance transparency around sustainability impacts and risks. The analysis shows that ESG disclosure is a dynamically evolving field and provides the reader with interesting insights from the large range of existing and emerging approaches to implementing ESG disclosure frameworks:

- While the landscape of ESG disclosure policy measures is diverse, there is a global trend towards mandatory disclosure.
- There are major gaps that need to be addressed to enable the pricing-in of sustainability impacts and risks in investing and enable such decisions take account of entity's impacts on the society and the environment: the comparability, accessibility, and assurance of the disclosed information.
- Entity-level ESG disclosure policy measures (e.g., regulations for companies or banks) are very widely implemented, whilst regulations targeting financial products and financial services are still in their infancy in most jurisdictions.
- Small- and medium-sized enterprises (SMEs) are mostly exempted from mandatory ESG disclosures, despite SMEs represent the bulk of economic activity in various sectors and the corresponding sustainability risks and impacts; most regulations focus on listed companies.
- The materiality definition, mandatory reporting requirements, scope and content of most disclosure policies are not yet commensurate with the global sustainability challenges. Most notably, specific climate-related disclosures are still voluntary in most jurisdictions, and other key risks, such as biodiversity are either not covered in most disclosure frameworks or in some cases not explicitly addressed.

1. Introduction

Environmental, social, and governance (ESG) factors represent the three major pillars of a firm's sustainability performance. They are linked to a firm's financial risk exposure (so-called outside-in perspective), and to the positive and negative impacts that a firm has on its wider environment, including the Sustainable Development Goals (SDGs), ESG objectives and preferences of stakeholders and society at large (so-called inside-out perspective). Enhancing transparency and data availability about both, ESG risks and impacts, through disclosure regulation, standards, and labels is fundamental for investors to identify and seize sustainable investment opportunities globally, and to reflect climate and broader ESG risks in financing and capital allocation decisions. While environmental and sustainability-related disclosures have improved in recent years, the IPSF made a strong case for further work in this area:

> *"Working towards convergence [...] is essential to scale up sustainable finance globally as it will enhance global market transparency and help […] investors identify investment opportunities that contribute truly to environmental objectives across the globe. [...] Nonetheless, there are still significant gaps notably in the quality and comparability of information disclosed to meet the needs of investors. In this light, most IPSF members with regulatory regimes are revising them while those with voluntary-based approaches are considering a shift to hard law" (IPSF Annual Report, 2020)*

To improve the quality and comparability of disclosed ESG information, international co-operation and coordination is necessary. Internationally aligned ESG disclosure requirements can decrease costs for information providers, while increasing the usefulness of the information for financial institutions like banks, investors, asset and wealth managers, and wider stakeholders, including policy makers, academia and civil society. To this end, the IPSF committed to greater coordination of ESG disclosure activities and policies in 2020. In an effort to increase coherence, the IPSF established a technical expert group on sustainability-related disclosure. Notwithstanding the different priorities, regulatory traditions and approaches to sustainable finance policy making across IPSF jurisdictions, an essential first step in understanding the scope, need and key elements for closer policy co-operation has been taken to understand the current state of ESG reporting frameworks across the IPSF membership.

This report provides a structured description and comparison of the state of ESG disclosure policy measures across 19 jurisdictions, namely the 17 IPSF jurisdictions, Brazil and the US (status September 2021). It looks at policy measures for non-financial corporates, banks, asset managers and institutional investors (henceforth called "entity level") and for financial products and services (henceforth called "financial product and service level") and describes noticeable elements of the different approaches. The policy measures include regulations, laws, guidelines and regulations. This serves to identify emerging global trends and key gaps that need to be addressed.

Seven pillars, the ESG disclosure building blocks, are used to structure this stocktaking analysis: (1) the disclosure content, (2) the mandatory or voluntary nature of the policy measure, (3) the underlying definition of materiality, (4) the scope of affected entities, products or services, (5) the assurance requirements, (6) the disclosure channel through which the

information is published, and (7) the reference to or application of disclosure standard or recommendations. The report is structured as follows: **Chapter 2** introduces the different perspectives of ESG-related risks and impacts and disclosures and provides references to existing workstreams. **Chapter 3** introduces the seven building blocks of sound ESG disclosure measures. **Chapter 4** presents practical examples that show how different combinations of building blocks can improve the effectiveness of the disclosed measure. **Chapter 5** compares the ESG disclosure measures across IPSF jurisdictions at the entity and the financial product and service level, whereas **Chapter 6** provides a detailed overview of all ESG disclosure measures across jurisdictions. **Chapter 7** concludes and directs the focus on the most important points which arose in conclusion to this report. The **Annex** explores ESG data availability in practice.

2. ESG disclosure: A fundamental sustainable finance component

2.1. How does ESG disclosure increase transparency?

ESG factors are the three dimensions of measuring a firm's sustainability performance. The environmental dimension includes, among others, climate change mitigation, biodiversity protection, sustainable resource extraction and use, pollution prevention and control, and the sustainable use and protection of water and marine resources. The social dimension considers, for instance, the implementation of human rights, workplace safety, or diversity. The governance dimension is concerned with issues such as business ethics including anti-corruption, remuneration policies or the management structure.

In recent years, ESG criteria have been gaining in importance for investment and financing decisions, driven by three key developments. First, investors realized that certain ESG aspects can have substantial financial implications and are thus financially material for their decision-making processes and firm valuations. Second, a rising number of consumers and private actors are becoming interested in sustainable investments, those have positive or non-negative impacts on people and environment. Third, governments and policy makers have realized that to achieve global climate and sustainability targets such as the SDGs, private finance needs to be scaled up and aligned with these goals. The adoption of the Paris Agreement and the United Nations' SDGs in 2015 played an important role in these policy dynamics. These developments can be conceptualised into the two main perspectives on ESG-performance: The inside-out and the outside-in perspective.

The *outside-in perspective* describes ESG aspects *outside* the firm that affect the firm *internally* and might change its financial valuation, alongside with changes in its risk exposure. The *inside-out perspective* captures ESG-related impacts that a firm and its activities have on ESG matters *outside* of their organization. Via channels such as reputational harm, changes in consumer preferences and future regulation, these impacts can turn into material risks of relevance for an entity's financial valuation. Depending on the perspective, the terminology used differs slightly, as observed in the literature: For the outside-in perspective, negative influences of ESG issues on the firm are usually referred to as risks, positive influences as opportunities. For the inside-out perspective, the terms positive or negative impacts are usually used. This report follows this convention in order to ensure coherence with existing work.

2.2. Which ESG-related risks, opportunities and impacts to consider?

Adopting the outside-in perspective, environmental **risks**, a focus area for the IPSF, are usually discussed to arise via physical and transition channels. Physical risks include extreme environment-related events and gradual environmental degradation, which might translate into abrupt changes after crossing tipping points, a common feature of the climate system and ecosystem dynamics. Examples are the exposure of a firm's infrastructure to flooding, labour productivity and heat waves, disruption of supply chains through extreme weather events or the collapse of water resources due to over-use or ecosystem services such as pollination due to

destruction of ecosystems. Transition risks relate policy decisions for reaching climate and sustainability goals, technological developments, and changes in upstream supply or downstream demand patterns, including reputational aspects which can (sometimes substantially) affect consumer preferences. These potential risks and developments are closely intertwined and could mutually reinforce one another.

ESG-related **opportunities** of the outside-in perspective arise if the physical and transition risk developments improve the productivity and competitiveness of a firm. For instance, a firm might be less exposed to ESG risks than its peers or face lower abatement costs, which implies a competitive advantage. Other firms may be able to benefit from their role as a provider of enabling technologies or services to those suffering from threats of sustainability related issues.

Adopting the inside-out perspective, a typical example for a negative inside-out **impact** would be the emission of GHG emissions or chemicals spills polluting the groundwater. An example for a positive inside-out impact would be the development and deployment of ocean clean-up technologies to reduce plastic pollution.

Crucially, ESG issues are often relevant from both the outside-in and the inside-out perspective simultaneously and the two are interrelated. GHG emissions. For example, it can be costly for firms when they are being taxed, which highlights the two perspectives are not necessarily mutually exclusive. Some impacts may not yet be regulated, but may well be either sanctioned by consumers, downstream clients or financiers or run the risk of eventually becoming subject to regulation (either in domestic or markets abroad). In the context of ESG disclosure regulations, emphasis is often put on the disclosure of negative (versus positive) ESG impacts for the inside-out perspective, and ESG risks (versus opportunities) for the outside-in perspective.

What is the difference between disclosures at entity level versus the financial product and service level?

ESG disclosure can be carried out at the entity level or the financial product or service level.[1] These levels are closely intertwined**.** To correctly assess, report on and manage the full spectrum of positive and negative inside-out and outside-in ESG factors, comprehensive disclosure requirements at all levels are ideal. However, entities, financial products, and financial services are usually subject to different disclosure regulations, which range from investor and consumer protection to financial supervisory requirements. Financial disclosure policy measures have evolved primarily focusing on the outside-in perspective, but the inside-out perspective has attracted increasing attention recently regarding ESG-related disclosure measures.

ESG disclosure at the entity level is a prerequisite to feed ESG-related transparency at the financial product or service level. This holds for both perspectives (inside-out and outside-in),

[1] Entities are non-financial and financial corporates (like banks, asset managers, and institutional investors and financial advisers). Financial products can be funds, bonds, loans, and others, whereas financial services are financial advice or discretionary mandates.

and across all impacts (positive and negative). For example, for the inside-out perspective, to disclose the sustainability performance of a financial product, such as a retail investment fund following a major exchange index, the ESG performance of the index constituents (i.e., the covered firms) needs to be known. This requires meaningful and comparable ESG information at the entity level. For the outside-in perspective, if a financial institution plans to disclose its own ESG risk, it needs to know the ESG-related risks of the projects and entities it finances, of the firms it invests in, and of the underlying entities of the financial products it offers. It is important to address disclosure regulations at the explained different levels to improve ESG transparency.

2.3. How does this report integrate with existing work and developments?

Various initiatives and international organisations witness and contribute to the development of ESG disclosure measures. Therefore, this section provides an overview to acknowledge existing work and show how this report aligns with and adds value to previous work in the field.

The G20 SFWG improves the international coordination on sustainable finance standards.

The **G20 Sustainable Finance Working Group (G20 SFWG)** was mandated by Finance Ministers and Central Bank Governors to develop a G20 Sustainable Finance Roadmap ("the roadmap") to help focus the attention of the G20, international organisations and other stakeholders to key priorities of the sustainable finance agenda and form consensus on key actions to be taken. A synthesis report published on the progress made on the main deliverables for 2021, including improving comparability, compatibility, and interoperability of approaches to align investments to sustainability goals, overcoming information challenges by improving sustainability disclosure.

The IOSCO STF works on decision-useful categories of disclosures for investors and other market participants.

The International Organization of Securities Commissions (IOSCO) pursues a vision of the following key elements. First, to establish an International Sustainability Standards Board (ISSB) under IFRS Foundation with a strong governance foundation. Second, to build on existing efforts and third to encourage a 'Building Blocks' approach. In 2020, IOSCO has established a Sustainable Finance Taskforce (STF) to analyse how ESG disclosures can be improved. The STF's recent report on "*Sustainability-related Issuer Disclosures*" (2021) reiterates the urgent need to improve the consistency, comparability and reliability of sustainability reporting for investors. Another IOSCO report "*Sustainability-Related Practices, Polices, Procedures and Disclosure in Asset Managements"* (2021) further focuses on asset managers and investor protection issues. Their previous report on "*Sustainable Finance and the Role of Securities Regulators and IOSCO*" (2020) explores the role of securities regulators and their challenges in addressing sustainability issues. The focus is on

sustainable finance disclosure and its importance to investor decision making, and three main areas for improvement are identified. First, the broad diversity of sustainability frameworks and standards calls for approaches to standardize reporting frameworks. Second, reporting regulation should address the lack of common definitions for sustainability-related actions. Third, reporting regulation should aim to limit greenwashing and facilitate investor protection. Although this report also uses surveys among regulators, it builds upon IOSCO´s work through adding to the overview about current ESG regulations.

In addition, IOSCO is collaborating with the **International Financial Reporting Standards (IFRS)**, who are currently consulting on whether there is a need for global reporting standards and whether the IFRS should support the development of such. The detailed analysis of the feedback from the consultation should be published shortly in advance of the November 2021 United Nations COP26 conference.

The **Financial Stability Board's (FSB) "***Report on Promoting Climate-Related Disclosures***"** (2021) examines the current and planned climate-related disclosure regulations across the FSB's 26 member jurisdictions. Surveys conducted in March 2021 provided important insight regarding existing and planned approaches to promote climate-related disclosures as well as expectations and requirements for implementing TCFD recommendations. In addition, the FSB included case studies from the UK, the European Union (EU), Japan, Hong Kong, and Brazil and emphasised the need for future guidance on TCFD recommendations. This report builds upon the FSB's work though providing a further reference point for regulators to gain an understanding about other jurisdictions and their practices on climate-related disclosures.

The FSB coordinates international bodies in order to develop and promote effective regulatory, supervisory and other financial sector policies

The **Network of Central Banks and Supervisors for Greening the Financial System (NGFS)** has also published several reports related to sustainability disclosure of (non-)financial institutions and central banks. In its comprehensive "*A call for Action*" report from 2019, the NGFS has emphasized the importance of a robust and internationally consistent climate and environmental disclosure framework in line with TCFD recommendations, while addressing central banks, supervisors and policy makers. Furthermore, its "*Progress report on the implementation of sustainable and responsible investment practices in central banks' portfolio management*" (2020) provides case studies and an overview of which SRI (Sustainable Responsible Investment) aspects central banks monitor regarding their portfolio, based on a survey of 40 central banks. The most monitored SRI metric is carbon footprint, followed by a portfolio's ESG score. Moreover, their survey has shown, that only half of the respondents who measure their carbon footprint are reporting it publicly. In addition,

The purpose of NGFS is to help strengthening the global response required to meet the goals of the Paris agreement and to enhance the role of the financial system towards sustainable development.

only 10% are currently reporting information in line with the TCFD's recommendations, but another 30% are considering doing so.

In the EU, the European Financial Reporting Advisory Group (EFRAG) issued seven documents in 2021 concerning sustainability reporting which provide a variety of instruments for the development of disclosure regulation. The "*Proposals for a relevant and dynamic EU Sustainability Reporting Standard Setting*" set out a vision for standards that cover all ESG issues from a double materiality perspective (for an explanation of double materiality, see Chapter 3.3.). These technical recommendations include a roadmap for developing draft standards by mid-2022 and emphasize the needed coordination with existing and emerging global initiatives. Also, the 2021 "*Assessment Report on current non-financial formats and practices*" presents existing and planned regulatory requirements in the EU regarding ESG disclosure for financial institutions (i.e., banks, asset managers/owners and insurance companies). The report also refers to global initiatives and points at critical future issues such as conciseness and comparability. Our report complements EFRAG's 2021 Assessment Report by presenting a comprehensive visualisation as a tool for regulators to better understand the global status quo of ESG disclosure regulation.

EFRAG's mission is to serve the European public interest by developing and promoting European views in the field of financial reporting.

3. What are the building blocks of ESG disclosure measures?

As this report covers various forms of ESG disclosure regulations, laws, recommendations, and guidelines, the overarching term *disclosure measure* is used to refer to all of these. ESG disclosure measures for non-financial corporates, financial institutions and for financial products and services vary not only across jurisdictions, but also within jurisdictions. Due to the complexity of each disclosure measure and the diverse set of measures covered in this report, it is useful to think of each disclosure measure as being composed of different **building blocks** – the analytical lens of this report. As each building block can be implemented differently, their design and combinations characterize a disclosure measure. Figure 1 presents the seven fundamental building blocks which are explained in the following subchapters, complemented by their scientific evidence and existing examples from IPSF jurisdictions. Although there are slight discrepancies between ESG disclosure measures for the entity level and the financial product and service level, the building blocks apply to both.

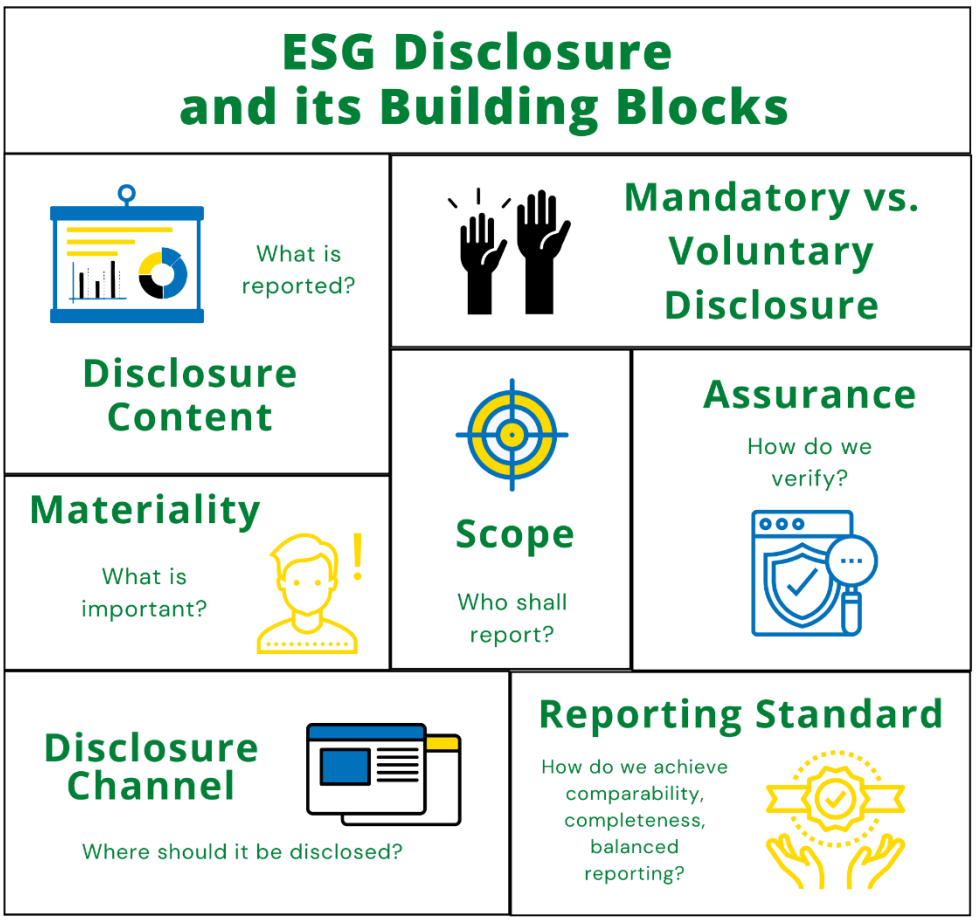


Figure 1: Building Blocks of ESG Disclosure Measures

3.1. Disclosure Content: What is reported?

The **Disclosure Content** represents a fundamental building block, as it addresses which ESG information has to be disclosed. The content of a given ESG disclosure measure may be focused

on all three of the ESG pillars or on either just one or two. Concerning the type of information, the measures may request quantitative or qualitative information, or a combination of both. Similarly, disclosure measures may either be very specific and indicate specifically on which sustainability themes, issues, and metrics or key performance indicators (KPIs) to report, or they may be generic and non-specific. Regarding the former (high content specification), the required information points are likely to be more consistent and comparable across entities, especially when the underlying assessment methods are streamlined. Regarding the latter (low content specification), disclosure measures may intentionally be left unspecific to give entities discretion to assess which ESG issues are most material and which specific metrics are most suitably captured (e.g., for different sectors different denominators are suitable to calculate carbon emissions intensity). In this case, the ESG information disclosed by different entities under the same disclosure measure may vary extensively and thus be less comparable across entities.

Specified Disclosure Content in Hong Kong SAR and Brazil

- **Hong Kong SAR's ESG Reporting Guide and related Listing Rule refers to specific KPIs** and states both quantitative and qualitative KPIs in a structured manner. The measure includes definitions for the disclosure content and provides clear disclosure guidance to companies. For example, it explicitly lists which scopes of greenhouse gas emissions are required. Furthermore, it requires that targets (i.e., forward-looking information) should be disclosed.
- Brazil´s planned **Resolution 139 BCB** mainly covers the reporting on social, environmental and climate risks and will come into force in 2022. **Comprehensive content description** is provided by the related Normative Order 139, which describes in a structured manner which content is required and which content is voluntary to be disclosed. It states whether the information should be qualitative or quantitative, mentions specific metrics and further explains what is meant by governance of the risks management or real and potential risks.

Research insights

Studies highlight that disclosed ESG information often lacks quantitative indicators, and is characterized as incomplete (*Boiral and Henri, 2015*). Furthermore, disclosures on specific ESG topics, such as pollution and waste management (E), labour standards (S) or anti-corruption measures (G), and specific KPIs, are often found to be missing. Okongwu, Morimoto and Lauras (*2013*) highlight this point with respect to supply chain matters, while the importance of sustainability along the supply chain is stressed by Wolf (*2014*).

3.2. Mandatory versus Voluntary

Disclosure measures may be implemented on a **Mandatory** or on **Voluntary** basis. Voluntary ESG disclosure measures are usually frameworks, guidelines or international standards, which support entities in identifying which ESG information to be disclosed, and how to do so. Mandatory ESG disclosure measures, on the other hand, are reporting regulations, laws or reporting regimes, which legally oblige entities to report on specified ESG issues. Such mandatory measures are usually implemented and supervised by national authorities, while

voluntary measures could also be provided by international organisations, bodies or work groups. Entities might be subject to both mandatory and voluntary disclosure measures simultaneously, and mandatory and voluntary measures can even be interlinked. A mandatory disclosure regulation on a specific ESG issue might for instance recommend the use of a voluntary reporting guideline to facilitate the disclosure process and the comparability of the disclosures.

Mandatory Disclosure in Kenya

In Kenya, the Capital Market Act defines that it is **mandatory to report on non-compliance with the Corporate Governance Code**. Affected entities must either apply the principles or are mandated to disclose why they depart from it.

Research insights

Studies provide evidence that voluntary corporate disclosures can be associated with limited standardization and comparability of the disclosed information (*Hibbitt and Collison, 2004; Jeffrey and Perkins, 2013; Korca and Costa, 2021)*, while mandatory reporting influences reporting quality and ESG performance positively (*Habek and Wolniak, 2016; Chen, Hung and Wang, 2018*). Further, broad and unspecific disclosure measures leave more room for entities to hide or bury bad news, while specificity in ESG disclosure regulations may also be problematic in the sense that it presents companies with an opportunity to disclose only the specified items, rather than the most material ESG topics (*Christensen, Hail and Leuz, 2019*).

3.3. Materiality: What is important?

The definition of ESG items' **Materiality** determines how ESG issues are identified by regulators and reporting entities. There are two overarching perspectives on ESG items' materiality: the outside-in and the inside-out perspective. As mentioned in Chapter 2.2., taking an outside-in perspective means that one identifies those ESG factors and risks as material that substantially affect the financial performance of the entity or the financial product. Taking an inside-out perspective, ESG items are classified as material when entities and their activities have substantial ESG-related impacts on the environment or people outside of their organisational boundaries (also referred to as environmental or social materiality). Importantly, the two perspectives represent interrelated concepts, rather than mutually exclusive categories[2]. This can be illustrated with the example of GHG emissions: the emissions caused by firms' activities contribute to climate change (inside-out perspective) and can become costly for the firms when they are, for example, being taxed or when they increase the risk of wildfires, which

[2] The concept of dynamic materiality (CDP, CDSB, GRI, IIRC and SASB, 2020) highlights the interconnectivity and nuanced nature of these related perspectives further.

can threaten the firms' production sites (outside-in perspective)[3]. The materiality definitions that the EU has introduced in its "*Guidelines on non-financial reporting: Supplement on reporting climate-related information* (2019)" are financial materiality, which reflects the outside-in perspective, and double materiality, which considers both perspectives. When disclosure measures take the financial materiality perspective, then those disclosure measures would refer to ESG issues that are material from the outside-in perspective but could at the same time incorporate ESG issues material from an inside-out perspective, when the two perspectives overlap such as in the GHG emission example. In the following, the term *materiality* is focusing on the direction of impact and not on the audience (material to whom): *financial materiality* when the outside-in perspective applies to a given measure, and to *double materiality*, when both the inside-out and the outside-in perspectives apply. Since the two perspectives are interlinked, as explained, measures indicated as applying the financial materiality perspective could incorporate inside-out information under consideration of the dynamic materiality concept used by some jurisdictions and organisations.

Financial Materiality in the SASB Standards and planned Double Materiality in Switzerland

- **The SASB Standards** from to the Value Reporting Foundation (IIRC and SASB), apply the perspective of financial materiality and provide industry-specific guidance on the materiality of ESG issues. After consulting which different stakeholders, the SASB established the Materiality Map, which provides clear indications which ESG issues are financially material for which specific industries (*Guillot, 2021*). This approach enables coherence in the assessment of different ESG information within an industry, which is helpful firms, as information providers, as well as financial market participants, as information users.
- **Switzerland plans to mandate environmental disclosure based on a double materiality principle**. Switzerland announced the drafting of legislation to make climate-related financial disclosures based on the TCFD recommendations mandatory for larger companies across all sectors of the economy. Public companies, banks and insurance companies with 500 or more employees, more than CHF 20 million in total assets or more than CHF 40 million in turnover will be obliged to report publicly on climate issues. This does not only include the financial risk that a company incurs as a result of climate-related activities, but also discloses the impact of the company's business activities on the climate and the environment (double materiality). Minimum requirements should ensure that disclosures are meaningful, comparable and, where possible, forward-looking and scenario-based.

[3] The example highlights that in the context of ESG disclosure measures, inside-out material aspects typically relate to adverse or negative impacts that firms have on their external environments, and outside-in material items typically highlight ESG-related financial risks faced by firms. Please note that theoretically the inside-out perspective can also identify positive ESG-related impacts resulting from firms' activities, and the outside-in perspective can identify ESG-related opportunities, rather than risks, faced by firms.

Research insights

Some academic literature confirms that there is a positive link between firms ESG ratings on financial material sustainability aspects and financial performance, which shows that material issues can have significant consequences at the capital market. *Khan, Serafeim and Yoon (2016)*, for instance, find that stock portfolios with good ratings on financially material ESG issues significantly outperform stock portfolios with poor ESG ratings for financially material items and *Grewal, Hauptmann and Serafeim (2020)* highlight that firms voluntarily disclosing financially material ESG information have higher stock price informativeness. However, other studies highlight that materiality is (currently) a malleable and ambiguous concept, especially the outside-in perspective, for which different interpretations co-exist not only between different stakeholder groups, but also within them (*Edgley, Jones and Atkins 2015*; *Reimsbach et al., 2020*).

3.4. Scope: Who shall report?

Scope refers to the criteria that determine which entities, products or services are subject to ("in scope" of) the respective ESG disclosure measure**.** Such criteria might, for instance, be based on entities' size, legal status, or sector affiliation, or types of the financial products. However, while a particular disclosure measure might be mandatory only for specified entities, such as entities listed on a certain stock market or above a specified size, the disclosure measure might well be applied on a voluntary basis to cover a broader scope, such as non-listed or smaller entities. There are many reasons for voluntary application of disclosure measures, such as better access to financial resources. Hence, the scope usually defines the minimum, rather than the maximum, of the respective measures' reach.

Scope variations in Indonesia and impact-based scope in Japan:

- **Regulation NO. 51/POJK.03/2017** in Indonesia **implements a smooth phase-in for different entities.** The regulation is a mandatory and was approved in 2017. It addresses the following scope: listed non-financial firms ('Issuers'), financial institutions and institutional investors or asset managers ('Financial Service Providers'). While the former are required to submit a sustainability report, the latter must additionally publish a sustainable finance action plan (technical guidance is provided for banks). The entities face different dates of implementation: Large non-financial corporates had to submit their first sustainability report for the financial year 2020, whereas small companies only start in 2025. Banks and insurances were firstly required to report in 2021.
- Japan has issued two measures, which define the scope by impact. **The Act on Promotion of Global Warming Countermeasures** mandates "specified emitters" to report their greenhouse gas emissions, while the **Act on the Rationalization of Energy Use** mandates companies, which use a lot of energy to report their energy consumption. These are two further examples of how the scope of disclosure measures can be based on firms' impacts on certain ESG issues, in order to increase transparency on the companies with the largest impacts. These two Japanese regulations have included reporting to the authorities, but the Act on Promotion of Global Warming Countermeasures has revised to enable all the aggregated data to be publicly available from 2022, without any requests.

Research Insights

Recent research shows that in some economies and sectors high shares of the carbon emissions stem from non-listed firms (*Bossut, Hessenius, Jürgens, Pioch, Schiemann, Spandel and Tietmeyer, 2021*). On the financial market, transparency regarding climate-related issues can thus only be achieved if the largest emitters disclose their emissions, independent of their legal status. Hence, the criteria which define the scope of ESG disclosure measures should be in line with the criteria which best describe the entities with the highest impact on the respective ESG issues.

3.5. Assurance: How to verify?

Assurance relates to the (potential) obligation of firms to receive verification or assurance on their disclosed information**.** Such verification processes are for example implemented through third-party auditors. In some jurisdictions, the obligation to verify ESG disclosures is permitted to be performed within the reporting entity, for example via internal control processes. Assurance requirements are typically tied to mandatory measures and hence exist mostly in jurisdictions where such measures are already in place. Further, the mandated assurance can differ regarding its required depth, ranging for example from comprehensive audits ('full' or 'reasonable' assurance[4]) to less comprehensive 'consistency checks'.

Examples for plans on assurance in the EU and encouraged assurance in Singapore

- The European Union **plans to move from no assurance (current Non-Financial Reporting Directive, NFRD) to introduce an assurance requirement** in the **Corporate Sustainability Reporting Directive** (CSRD). The objective is to have a similar level of assurance for financial and sustainability reporting (reasonable assurance). However, a progressive approach is desirable, to allow for the development of the assurance market for sustainability information. Therefore, the proposal requires a limited assurance on sustainability reporting at a first stage.
- In Singapore, the disclosure of sustainability-related information is a listing requirement. Assurance on the disclosed information is encouraged. To enhance the reliability of sustainability reports, the Singapore Exchange (SGX) has consulted on **minimally requiring internal assurance** of sustainability reports in its Listing Rule as a first step while common assurance standards develop. SGX has also consulted on whether particular aspects of sustainability reports should be subject to mandatory external assurance.

[4] There are two types of assurance engagement a practitioner can perform regarding financial information: i) Reasonable assurance reduces the risk of the engagement to an acceptably low level in the given circumstances. The conclusion is usually provided in a positive form of expression and states an opinion on the measurement of the subject matter against previously defined criteria, ii) Limited assurance engagements provide a lower level of assurance than the reasonable assurance engagements. The conclusion is usually provided in a negative form of expression by stating that no matter has been identified by the practitioner to conclude that the subject matter is materially misstated.

Research insights

Literature reports positive effects of assurance on investors' credibility perception of the disclosed information (*Quick and Inwinkl, 2020; Reimsbach, Hahn & Gürtürk, 2017)*. As such, assurance requirements may increase the extent to which capital market participants use ESG information in their decision-making processes, as it fosters the perception of the disclosures as reliable information points.

3.6. Disclosure Channel: Where should it be disclosed?

ESG information can be disclosed via different media, the so-called **disclosure channels**. While some disclosure measures require entities to produce a separate sustainability report, other disclosure measures allow or require ESG-related information to be included in the annual report (usually as part of the management report or even as part of the financial statement) or on entities' websites. Integrated reports represent a combination, or integration, of sustainability-related and financial information and thus can be seen another specification of a disclosure channel. Further, ESG information for financial products can be disclosed in the prospectus or contractual documents. The disclosure channel may or may not be specified by the legislative authorities. Multiple disclosure channels might be chosen by the issuer of the ESG disclosure measure (or by the disclosing entity, if not specified) to address different stakeholder groups through different channels. Some jurisdictions require (environmental) data to be reported to specific authorities. In these instances, it may not be possible for information users to trace the information back to the firm level, unless the respective firms chose to disclose the information somewhere else on a voluntary basis.

Databases in the US and the EU, reporting in the annual financial report in the UK

- **Databases as information source.** With regards to financial data, the United States Security and Exchange Commission is mandating disclosure through the **EDGAR Database**. While not applicable to ESG disclosures (yet), this is a good example for a single point of access to filings and information as it highlights how the SEC enables shareholders and stakeholders to easily access and comprehend information from a wide range of firms. The European Union plans such a database for ESG information: the **European Single Access Point**. The disclosed information should be digitally tagged to be machine readable to minimize the effort to maintain the database.
- The UK clearly defines that the **TCFD-aligned disclosures for premium listed issuers should be undertaken in the annual financial report.** In addition, it is required to clearly state where the information is disclosed if it is not in the financial report with an explanation why this is the case. Finally, explanations for non-disclosing are required as well, combined with a plan for future steps (including relevant time frames) to make consistent disclosures.

ESG data availability in practice across IPSF jurisdictions: What is the investors' perspective? (Annex)

- **Commercial data bases as main information source.** Ultimately, ESG data needs to be accessible by investors to be relevant, to increase transparency and to become part of the investment decision-making process. However, data availability in commercial data bases is also driven by the selected universe of ESG rating agencies which tend to focus on large-cap companies – although market capitalization is not necessarily correlated with a corporate environmental footprint or GHG emissions. This implies that sustainability data collected by ESG rating agencies is not necessarily available for the majority of the environmental footprint.
- **Taking the investor's perspective, reveals a large variety of ESG data availability.** The Annex presents a 'snapshot' of CO2 data availability across IPSF jurisdictions, Brazil and the US in 2019. The absolute data availability (i.e., the percentage of firms for which CO2 emissions are available) does not exceed 24.6% (in the case of Switzerland). The share of market capitalization for which the data point is available is significantly higher across the board, reaching up to 90% (in the case of the UK). Annex 2 contains the full table and methodological details.

3.7. Reporting Standards: How to achieve comparability?

Existing **Reporting Standards** provide orientation to reporting entities and can ensure comparability if they precisely specify KPIs, metrics and methodologies**.** Jurisdictions may refer to their own disclosure standards or recommend or prescribe the application of other existing reporting standards. Reporting standards exist at the national as well as on the international level and are developed by different governmental and non-governmental organizations, with different underlying objectives. In this context, some reporting standards are developed primarily for satisfying the information needs of capital market participants (e.g., the Sustainability Accounting Standards Boards (SASB) standards), while others may strive to balance the information needs of entities and diverse stakeholder groups along their supply chains (e.g., the Global Reporting Initiative (GRI) standards). Further, there are reporting standards designed to be used by entities of a certain size, a particular jurisdiction or sector. Hence, depending on entities' characteristics such as their sector affiliation, size or reporting regime different reporting standards might be suitable and applicable. Common reporting standards include the GRI, SASB, and the recommendations of the TCFD.

TCFD guidance in Japan, linkage to international standards in the EU

- Companies get TCFD guidance in Japan. To support entities with TCFD reporting, Japan set up a TCFD consortium in May 2019 with support from Ministry of Economy, Trade and Industry (METI), Ministry of Environment and Financial Services Agency (FSA). It aims to create a platform for discussions about effective and efficient corporate disclosure of climate-related information and their use by financial institutions. Since its establishment, three TCFD Summits (hosted by the METI and co-hosted by the TCFD Consortium) were organized and several guidance documents were published from both corporates and invertors perspectives (in Japanese and English). The number of companies supporting TCFD in Japan has risen quickly. From October 2019 to October 2021, it increased from around 200 to 500. The example shows how international reporting guidelines can be useful and how companies can be supported with the implementation of disclosure measures. Leveraging this initiative, Tokyo Stock Exchange revised Corporate Governance Code of Japan to require Prime Market listed companies to disclose information based on TCFD recommendations or an equivalent framework.
- The reporting requirements from **EU's Non-Financial Reporting Directive (NFRD)** did not require the use of a non-financial reporting standard or framework but **suggested a range of possible international standards** and requested that if a company uses a framework or standard, it should state which one(s). The CSRD proposal already integrates all the key concepts of the TCFD recommendations. The European Financial Reporting Advisory Group (EFRAG) is developing EU sustainability reporting standards as one comprehensive framework. Cooperation between standards-setters is key to assure coherence and interoperability between frameworks. EFRAG has already established close technical cooperation with the IFRS Foundation.

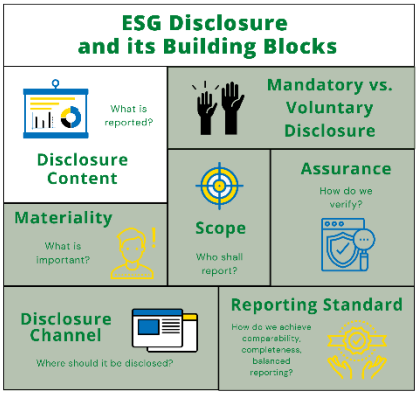
4. Examples from Practice: How the combination of building blocks matters

A number of ESG disclosure measures across jurisdictions are highlighted to serve as examples of and inspiration for the implementation of different building blocks in practice. These examples show how existing disclosure measures contribute substantially to improving information availability in the markets, by connecting several building blocks in a meaningful way. The examples therefore provide a starting point and facilitate mutual learning across jurisdictions and leverage on good practice to inspire further improvements and an increased degree of interoperability of disclosure regulations. The following examples highlight how actual and planned disclosure measures combine building blocks, without taking any stance on the quality of the overall measure. On another note, this is only a selection of measures and does not represent an exclusive list.

4.1. Five examples from all over the world: Entity Level

EU - Corporate Social Responsibility Directive (CSRD) proposal

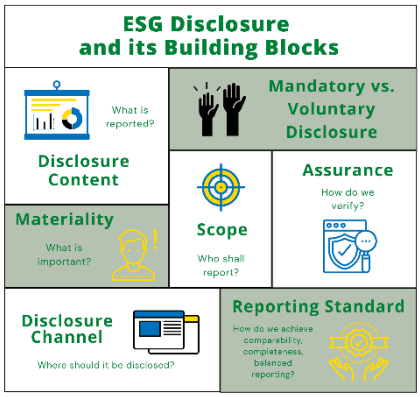
The European CSRD is a planned entity-level directive.



The CSRD proposal shows noteworthy features in the building blocks **mandatory disclosure**, **double materiality**, **scope**, **assurance, reporting standard** and **disclosure channel.** It defines the boundary of who has to report and extends the scope in relation to its predecessor (i.e., the NFRD) by addressing all large companies, as defined by the Accounting Directive 2013/34/EU, and all listed companies (except listed micro-enterprises). According to the European Commission, this extends the coverage from roughly 11,000 companies under the NFRD to nearly 50,000 companies (*European Commission, 2021b*). The EFRAG is currently developing EU sustainability Reporting Standards. To consider reasonable proportionality and not burden SMEs, simplified and voluntary reporting standards will be developed for SMEs. The CSRD proposal currently also aims to increase the assurance requirement and demand that targeted companies seek limited assurance for reported non-financial information, with a possible move to reasonable assurance in the medium term. Regarding the disclosure channel**,** the CSRD proposal requires that sustainability information is disclosed in annual reports and also requires companies to digitally 'tag' the reported information, so it is machine readable and feeds into the planned European single access point. Streamlining the information towards one public database will harmonize the ESG disclosure and can therefore be considered as a good practice. In terms of disclosure content, the EU Sustainability Reporting Standards are still under consultation, but will consider relevant environmental, social and governance criteria. The EU Taxonomy, however, currently extents

(and will further extent) the CSRD with developments towards the building blocks (e.g., assurance, content, scope) with definitions of conditions that an economic activity must meet in order to qualify as environmentally sustainable.

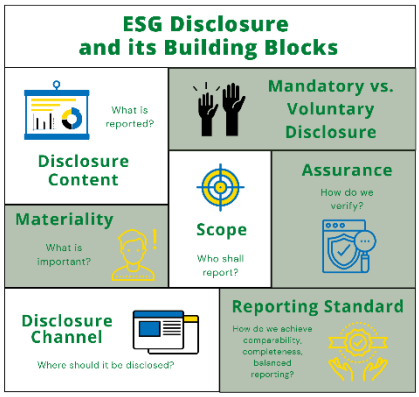
Chile - Planned ESG reporting for publicly offered securities



Chile plans a mandatory ESG reporting regulation, which includes specific KPIs with a financial materiality focus through the SASB Standards.

The first draft of the new regulation went into public consultation in December 2019 and January 2020. Based on 62 responses, a second draft was prepared. This draft for **mandatory reporting** shows that using a **reporting standard** can provide a clear **materiality** definition. The regulation is based on financial materiality, as it refers to SASB and the FCA, which also provide industry-specific guidance. Furthermore, the regulation refers to specific KPIs. For example, a section about the remuneration policy includes explicit formulas how, for instance, the gender wage gap, should be calculated.

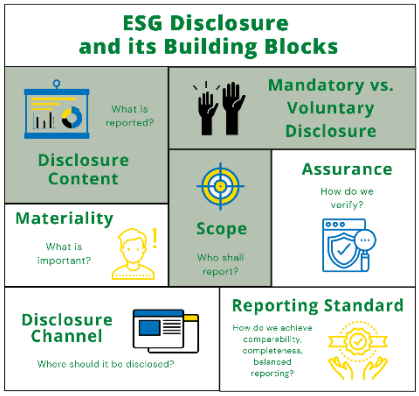
New Zealand - Financial Sector Amendment Bill Proposal for mandatory TCFD reporting



Planned mandatory measure on environmental disclosure in New Zealand, which connects a reporting standard with third-party assurance and financial materiality.

The government of New Zealand has introduced a measure to make climate-related reporting **mandatory** for large, listed companies, large banks, and licensed insurers. It combines **reporting standards** (reporting companies are encouraged to follow the TCFD recommendations on climate-related financial disclosures) with **third-party assurance** and a **financial materiality** definition. This measure is specifically focused on climate-related issues and seems promising in its combination of independent assurance and reference to reporting standards, while building on a clear, if limited, financial materiality definition.

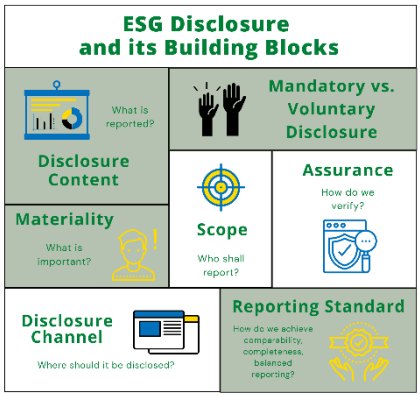
India - Business Responsibility and Sustainability Report (BRSR)



The planned regulation in India is a noteworthy example of balancing the trade-off concerning scope and disclosure content.

The **mandatory** BRSR is to be applied from the financial year 2022/23 onwards. The successor of the former BRR measure (issued in 2015) is a good example for the combination of **disclosure content** and **scope**. The reporting framework issued in May 2021 by the Securities and Exchange Board of India (SEBI) introduces new reporting requirements on ESG parameters made easily accessible to entities with detailed instructions; **reporting is required in the annual report and on the company´s website**. The measure is a noteworthy example as it overcomes the trade-off between a detailed reporting regulation and a wide applicability across sectors: This can be observed by the BRSR introduction of specific KPIs and requiring mandatory reporting from the top 1000 listed companies by market capitalization.

Morocco - Circular 03_19 relating to operations and financial information



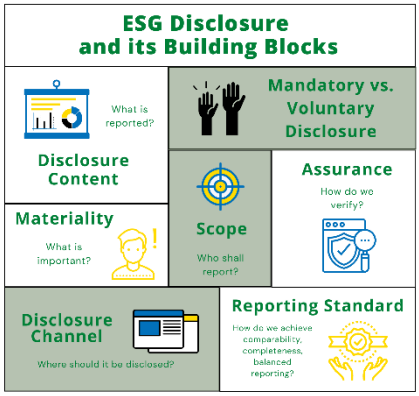
Morocco introduced mandatory ESG reporting for the first time.

The **mandatory** circular issued in 2019 aims at issuers of public offerings and is mainly covering financial operations. However, it also requires a chapter of the annual report to be devoted to reporting about ESG issues, which is therefore providing a clear statement towards the **disclosure channel**. The report should be based on an internationally recognized **reporting standard**. Moreover, the circular is specific about the **disclosure content**, by requiring disclosure of quantitative KPIs, such as water consumption, and qualitative KPIs, such as measures taken for gender equality, and encourages companies to use a **double materiality perspective.**

4.2. Three examples from all over the world: Product and Service Level

Overall, product and service level disclosure measures are not as developed as entity-level disclosure measures, yet. Therefore, it is important to highlight noteworthy practice examples to enable learning from them.

EU - Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR)

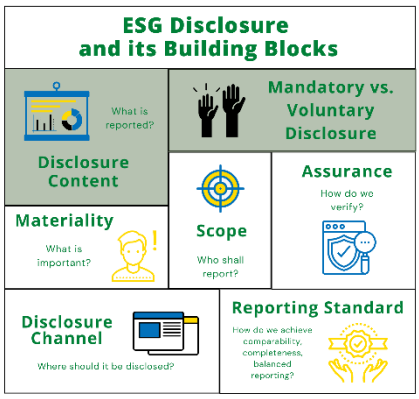


The European SFDR is a planned entity- and product-level regulation.

The **mandatory** measure was issued by the European Parliament and the Council of the European Union (applies from March 2021). covers Financial Market Participants (FMP) who fall under the definition according to Article 2 (1) of the regulation, as well as financial advisers[5]. The regulation targets these entities with both the entity level disclosure as well as disclosure on the financial product and service level these entities offer. The SFDR establishes common rules for these entities to inform their clients about potential sustainability risks (outside-in perspective) that could affect the value of their investments and how those risks are being managed, the potential adverse impact of investments on the environment or broader society (inside-out) and how sustainable products with green or social goals achieve those goals. Depending on the area/perspective and the scope (entity versus product/service), the information is to be made available on websites, pre-contractual documents, periodic reports, marketing communication. Member States shall ensure that competent authorities in charge of supervising these entities and products under existing EU sectoral rules, are designated to monitor the compliance with the disclosures' requirements of the regulation. In addition, Norway will also implement the SFDR as part of the EEA agreement. The SFDR is a good example for a comprehensive product level regulation, because it includes a rather large scope and targets the financial product and service level with periodical and pre-contractual disclosure.

[5] More specifically asset managers (regulated by UCITS, AIFMD, EuVECA, EuSEF), insurance undertakings (Solvency II), occupational and other pension providers, investment firms providing individual portfolio management (MiFID II).

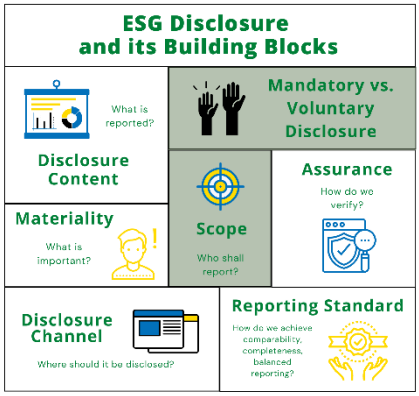
Hong Kong SAR - Fund Manager Code of Conduct and Proposed Amendments



The Code of Conduct from Hong Kong SAR requires the management and disclosure of climate-related risks by fund managers.

The **mandatory** product level measure for fund managers falling under the "enhanced standards" for large fund managers (HK $4 billion AUM, current proposal) is going to be amended. The proposed amendment to the Code includes the reporting requirements for the **disclosure content** of the weighted average carbon intensity and of a description of the calculation method. On the one hand, explicitly including greenhouse gas emissions can better show the climate impact on the fund. On the other hand, the clear description enhances comparability.

UK - CP21/17: Enhancing climate-related disclosures by asset managers, life insurers and FCA-regulated pension providers



The Financial Conduct Authority (FCA) is planning to introduce product- or portfolio-specific disclosure guidelines connected to the TCFD in the UK.

The FCA aims to **mandate** annual, comparable disclosures with the **scope** of product or portfolio-level disclosures with a core set of metrics. The targeted disclosure framework is the recommendations of the TCFD, which should also affect the entity-level. Streamlining entity and product level disclosure opens up possibilities to simplify the information assessment of share- and stakeholders.

5. ESG disclosure across IPSF Jurisdictions, Brazil, and the US: Where do we stand?

5.1. Entity level: mandatory measures on the rise, specific KPIs still missing

There is a wide landscape of ESG disclosure measures at the entity level across the 19 analysed jurisdictions (17 IPSF jurisdictions, Brazil and the US). Most of the jurisdictions (18 out of 19, all except of Senegal) have a disclosure measure on at least one of the ESG dimensions in place. In some jurisdictions, the reporting requirements are consolidated in very few comprehensive regulations (e.g., the EU with the CSRD or Indonesia with Regulation NO. 51/POJK.03/2017), whereas in other jurisdictions, several measures exist, which focus on specific aspects (e.g., the UK on climate-related reporting). One jurisdiction, namely Norway, bases its disclosure requirements on those of the EU (through the EEA agreement). For a detailed overview for each jurisdiction, please refer to the annex.

Voluntary measures are common, but mandatory measures are on the rise.

18 jurisdictions have at least one **mandatory** ESG disclosure measure implemented. **Voluntary** measures are also very common, but mandatory measures are on the rise, as demonstrated by the planned measures, which aim towards a mandatory implementation. More specifically, 13 jurisdictions (Brazil, Canada, Chile, EU, Hong Kong SAR, India, Japan, New Zealand, Norway, Singapore, Switzerland, UK, US) are currently planning an additional or their first mandatory measure. While there is an increase in mandatory disclosure measures overall, there is still capacity for further mandatory measures, as currently implemented measures cover only a few, specific environmental issues. Amongst the 16 jurisdictions with mandatory environmental disclosure measures in place, for example, only 7 jurisdictions have implemented mandatory GHG reporting. Even fewer jurisdictions mandate reporting on the **content** of other environmental challenges, such as biodiversity (3 jurisdictions). Further, the number of jurisdictions which refer to specific KPIs in their disclosure measures is low. In order to increase the comparability of disclosures, measures could refer to specific KPIs, and supplement this either by providing clear guidance on the calculations of the KPIs or requiring transparency about the calculations by companies. This helps reduces information costs, clarify the reporting procedure, and minimise potential of greenwashing (e.g., cherry-pick KPIs with good performance).

The number of ESG measures which refer to specific KPIs is still low.

Forward-looking disclosures, for example the disclosure of future emissions pathways or targets, are of major relevance in the light of the economic transition. This is for instance highlighted by the TCFD (*TCFD, 2017*). Currently, 10 jurisdictions base the rationale and structure for their disclosure measures on the TCFD's climate-related recommendations, which were designed to help to understand an institutions' overall approach to address climate-related risks. However, a comparable way of assessing and disclosing specific forward-looking

information is still lacking. Standards on the structure of reporting and broad reporting content guidelines need to be enriched with specific assessment and disclosure standards for quantitative status quo and forward-looking metrics. Similarly, disclosure on the supply chain, thus disclosure covering all related business activities, is still limited, but important to gain a complete picture about an institution's environmental and or social impacts.

Financial materiality is currently more common than double materiality. Planned measures use both approaches in roughly equal amounts.

An increasing number of ESG disclosure measures clearly define the underlying perspective of **materiality**, which often serves to identify the threshold for the disclosure obligation itself. A focus on financial materiality is slightly more common than the double materiality definition, despite double materiality is on the rise. To date, 8 jurisdictions base their disclosure measures on financial materiality, whilst 5 apply a double materiality definition. However, when it comes to planned measures, 5 disclosure measures build on financial materiality, and 4 disclosure measures are based on double materiality. However, as explained in previous chapters, the definition of financial and double materiality is nuanced especially in the long run. In this context, the dynamic materiality concept has been evolved by some organisations and jurisdictions and under this definition, some inside-out information has also been captured in financial materiality.

SASB's Materiality Map is a good starting point, and the concept should be further developed.

A well-known reference-threshold for voluntary sustainability-related reporting is the SASB's Materiality Map. The underlying SASB standards provide easily accessible industry-specific sustainability disclosure standards, with clearly define qualitative and quantitative reporting metrics. However, it has currently only been used for voluntary reporting and it is entirely based on the financial materiality definition. The SASB standards could also support mandatory reporting due to their clear guidance. Further developments might also consider expanding the guidance to entail the concept of double materiality.

The listing status of an entity is the most common criteria for the scope of the disclosure measures.

In all jurisdictions with existing or planned ESG disclosure requirements, the **scope** of the covered entities is defined by the listing status for at least one of the measures. Furthermore, many disclosure measures apply size-based scopes (e.g., the number of employees). The underlying reason for these size-or listing status-based criteria are usually that larger companies are expected to have larger impacts, and that listed entities are expected to be used to various reporting obligations. To give entities time to adjust to new requirements, learning periods can be useful. For example, one jurisdiction, namely Chile, differentiates the requirements by size of the firm and allows for longer preparation and learning time for smaller

companies. Another possibility to achieve proportionality is the implementation of adapted frameworks and requirements suitable for SMEs.

In contrast to the size-based criteria, some jurisdictions (5 out of 19) apply an impact criterion on their disclosure measures. For example, in the US, the Greenhouse Gas Reporting Program (GHGRP) is targeted at companies with large GHG emissions. The underlying reason is the notion that it is important to achieve transparency among entities with the highest environmental impact, which can be achieved by defining the scope based on impact (e.g., GHG emissions). Targeting for instance organization in polluting sectors (even if the organizations are non-listed) with specifically tailored KPIs can provide a rapid way towards substantially improved transparency regarding environmental impacts.

Impact-based size criteria can ensure transparency among entities with the highest influence.

While **assurance** requirements are rather scarce in existing measures, assurance is an emerging aspect in planned measures. Some examples show approaches to proportionality, ranging from consistency checks to limited assurance, with staggered adoption towards reasonable assurance. This development supports the quality of disclosed information and serves as an important step towards improving disclosures in the future. 7 out of 19 jurisdictions have at least one disclosure measure (planned or in place) which requires some level of assurance. However, the specific type of assurance is to date often not further specified. With regard to planned measures, the TCFD-aligned disclosures for asset managers, life insurers and FCA regulated pension providers require a report of the auditor with a consistency check. The objective of the EU Taxonomy is to reach a similar level of assurance in sustainability reporting as in financial reporting. Due to proportionality, however, the current position starts with limited assurance with the aim that the EU Commission adopts sustainability assurance standards, which would lead to reasonable assurance.

While assurance is currently scarce, it is increasingly emerging in planned measures.

Reporting standards can give guidance to entities and increase comparability, particularly if specific KPIs and calculation methods are explicitly defined in the standard. Across the analysed jurisdictions, there is no predominant standard, but disclosure measures often refer to GRI, SASB, the Integrated Reporting (<IR>) Standard, or the recommendations of the TCFD.

Reporting standards can give guidance and improve comparability. There is no predominant standard across IPSF jurisdictions.

Where and if the disclosures are available for the public is defined by the **disclosure channel**. In 5 of the 19 jurisdictions, measures only request reporting to the respective authority. However, all jurisdictions with disclosure measures also have at least one measure, which includes public disclosure. In many cases, entities are free to decide whether they publish a sustainability report or include ESG information in the annual report, compared to those that is clearly specified (e.g., Kenya and Switzerland).

In order to address the availability of the information of financial disclosures (and the related ESG disclosures, where mandatory), some jurisdictions started to work on more streamlined information flow and single data access points. An existing example is the SEC's EDGAR database in the US. The EDGAR database serves as a single access point for firm-specific information. The EU plans to establish a single EU corporate and sustainability data access point as well. Such approaches have the potential to significantly reduce information costs, which is a considerable component of information asymmetry issues. Transparency would further increase if more jurisdictions followed the approach or joined existing or planned database initiatives.

Disclosed information must be easily accessible for all to reduce information asymmetries. Data access points can lead the way to more transparency.

The combination of the building blocks matters.

Disclosure measures, which combine the seven building blocks in a meaningful manner are more effective in reducing information asymmetries in the market and in incentivising better management of ESG risks. For example, mandatory disclosure measures can be enhanced with specific requirements on their implementation and specific KPIs to be reported. Such combinations can increase the number of firms disclosing ESG issues, while at the same time improving the comparability of the disclosed ESG information. Good practices in this regard are measures, which combine mandatory disclosures with a relatively broad scope (e.g., *Regulation NO. 51/POJK.03/2017, Indonesia*) with requirements for third party auditing, such as the *Financial Sector Amendment Bill Proposal for mandatory TCFD reporting* in New Zealand. A further example of a well-constructed measure is the CSRD to be implemented in the EU, which requires mandatory disclosure under consideration of the double materiality perspective, a widened scope, required assurance, and a specified disclosure channel. Please see Chapter 4 which presents further ESG disclosure measures and how these combine different building blocks.

5.2. Product and service level: Still a limited number of measures

Across all 19 jurisdictions analysed, only 7 are targeting product or service level ESG disclosure measures – most measures focus on environmental issues.

Across all 19 jurisdictions analysed, only 7 are targeting product or service level ESG disclosures. Specifically, 4 jurisdictions have a measure regarding product or service level in place, while 3 are planning to develop one. Looking at the disclosure **content**, the existing and planned disclosure measures require mainly environmental disclosure related to a product, while only few measures address governance and social disclosure as well. With regards to environmental disclosure, few jurisdictions clearly specify the disclosure required. A reason might be that many of these measures are still in the planning phase. Nevertheless, some measures by certain jurisdictions spell out further details requiring disclosure related to GHG emissions (EU, Hong Kong, UK), environmental risks (Argentina, EU, Hong Kong, UK), biodiversity (EU), and others. The same holds for social and governance related disclosure measures, where only a few measures define the specific disclosure content. One measure in one jurisdiction (Canada) requires a third-party audit of the information disclosed, and another jurisdiction (UK) is currently planning a measure where a third-party audit will be required.

Only one of the jurisdictions applies the double materiality approach for product level disclosure.

In terms of the underlying **materiality** approach, only 1 out of the 7 jurisdictions with product or service level measures apply a double-materiality definition, namely the EU. In addition, 2 out of 7 jurisdictions base the threshold for the disclosure requirement on financial materiality. Therefore, financial materiality is prevailing for the product level measures. However, with greenwashing concerns arising from perspectives of impact and consumer protection, the double and/ or dynamic materiality notion is likely to become more relevant in future.

There are considerably more measures for financial products than for services. Amongst the measures for financial products, requirements for funds prevail.

The scope of the measures mainly focusses on financial products: only 2 jurisdictions (EU and Norway) introduced a measure for financial services, more specifically, for financial advice. Amongst the measures for financial products, disclosure requirements for investment funds prevail, compared to measures for other products such as bonds, equity, and loans. Overall, disclosure about financial products and services can either take place periodically, pre-contractually, or both. In most cases, information should be presented online and/or in the product prospectus.

In conclusion, few jurisdictions have product and/or service level ESG disclosure measures in place or planned. Generally, these measures are still vague in their requirements, making it difficult to ensure comparable and decision-relevant information across different markets. Further developments are necessary to increase product or service level disclosures in a comparable and reliable way.

6. The jurisdictions in detail: What needs to be disclosed?

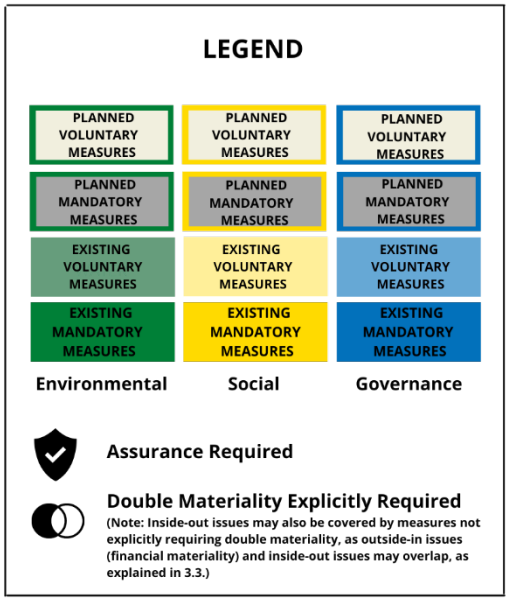
Argentina 35
Brazil 36
Canada 37
Chile 38
China 39
European Union 40
Hong Kong, China ..... **Error! Bookmark not defined.**
India 43
Indonesia 44
Japan 45
Kenya 46
Morocco 46
New Zealand 47
Norway 48
Singapore 49
Switzerland 50
United Kingdom 51
United States 52

The overview covers all 17 IPSF member jurisdictions and two non-IPSF G20 countries, the US and Brazil. For each of these 19 jurisdictions, all relevant policy measures are listed and explained. Further, one visualisation of the ESG disclosure measures applicable at the entity level and one visualisation of the ESG disclosure measures applicable at the product level is included, whenever such measures are either implemented or planned in the respective jurisdiction.[6] For further information and definitions of the entity and the product level, please refer to Chapter 2. The stocktake focuses on ESG disclosure measures[7]; policy measures that

[6] Regarding measures on the entity level, 18 out of 19 jurisdictions are covered, as one jurisdiction does not have disclosure measures in place at the entity level. Regarding measures on the product level, 8 out of 19 jurisdictions are covered, indicating that 11 jurisdictions have no existing or planned disclosure measures on the product. Please further note that measures, which are applicable only in certain regions in the respective jurisdiction are not covered by this report as the report provides a comparison framework at the jurisdiction level.

[7] Please note that the visualisations for both entity and product level do not aim to show how advanced the underlying measures are, but instead, it offers an overview of the ESG topics covered by existing and planned measures for each jurisdiction, including critical information on the building blocks tied to the respective measures.

focus only on financial disclosure are excluded from our framework. Further, only policy measures which explicitly address the *disclosure* of ESG information are included, rather than solely ESG *practices*. For measures addressing the product level, financial products and services regulation are specifically targeted, while labelling of for example green bond labels and standards lie outside the scope of this report.



The design of the jurisdiction-level visualisations in the comparison framework follows the building blocks of ESG disclosure measures and applies equally to the entity level and to the product level visualisations. The building block disclosure content constitutes the basis for the visualisation framework, as it addresses the fundamental question of which ESG topics are addressed by an ESG disclosure measure. Each ESG topic covered by at least one disclosure measure is thus represented by its own rectangle in the respective jurisdictions' visualisation. Each rectangle includes, next to the name of the topic, a footnote, which links to text descriptions of the measure covering the respective topic (name of measure, further critical information on the measure, link to original source). As such, the framework provides an overview of all ESG topics covered through disclosure measures in a given jurisdiction.

Argentina

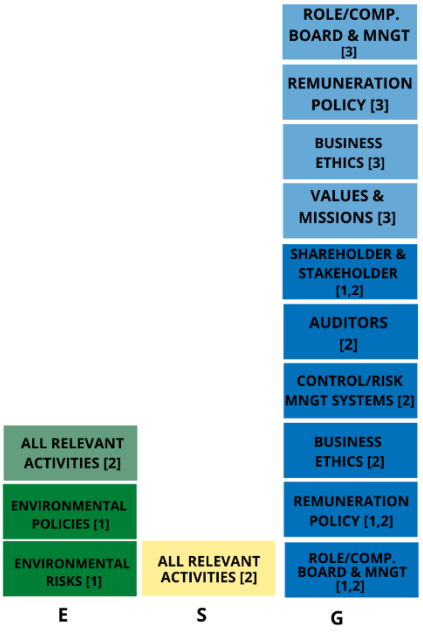
Entity level

At national level, it is mandatory to report on the compliance with the Corporate Governance Code. Each year, the answers of five companies are monitored by the authority. Further, all material ESG issues and the environmental policies are required to be reported. Financial institutions are addressed by a specific Corporate Governance Guideline. Beyond the scope of this report, there are also sub-national policy initiatives on ESG disclosure.

1 Resolution CNV 622/2013 for listed firms (except for SMEs) and listed financial institutions to report in different disclosure locations, no assurance required, materiality definition not specified, link

2 Report on compliance with corporate governance code (Res. CNV 606/2012) for listed firms (except of SMEs) and listed financial institutions to report in the annual report, no assurance required, materiality definition not specified, link.

4 Guidelines for corporate governance for financial institutions (Communication "A" 6327) for all financial institutions, no assurance required, no materiality definition specified, link



Financial Product and Service Level

In Argentina, Resolution CNV 622/2013 applies to both the entity and the product level. It is about environmental disclosure.

1 Resolution CNV 622/2013 for financial products with public offering, reporting in public offering prospectus, assurance not required, no materiality definition specified, link

Brazil

Entity level

The Brazilian stock exchange BM&FBOVESPA has a listing rule which includes reporting on corporate governance issues. There are further mandatory regulations for financial institutions. There is voluntary guidance for listed entities. In addition, further regulations will come into force in 2022 that will replace current ones.

1 Resolution n. 4327 for financial institutions and other institutions authorized to operate by the Central Bank of Brazil, disclosure channel not specified, no assurance required, no materiality definition specified, link

2 Central Bank's Circular 3,846/2017 all financial institutions regulated by central bank (BACEN), no assurance specified, no materiality definition specified, link to TCFD, link

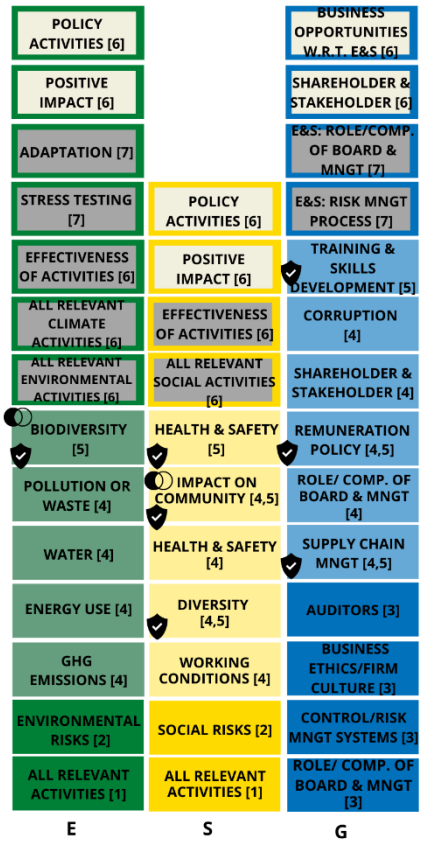
3 Corporate Governance Level 1 listing regulation at BM&FBOVESPA, reporting in annual report, no assurance required, materiality definition not applicable, link

4 Guidance for Sustainability for publicly traded companies at BM&FBOVESPA , no assurance required, no materiality definition specified, link to GRI, link

5 Brazilian Accounting Norm (NBC) T 15 for non-financial corporates and banks to report in a separate report, third-party audit encouraged, double materiality, link

6 Planned Resolution n. 4945 for financial institutions and other institutions authorized to operate by the Central Bank of Brazil to be disclosed on the website, will come into force in 2022, no assurance required, materiality definition not specified, link

7 Planned Resolution BCB n. 139/2021 all financial institutions regulated by central bank, no assurance specified, materiality given by selected indicators for risk management, disclosure content specified by normative order n. 153/2021, link



Canada

Entity level

It is currently mandatory to disclose on corporate governance (including diversity) and social issues while other mandatory measures are being planned which will also cover environmental aspects. In addition, there are existing voluntary guidelines covering a range of environmental, social and governance disclosure topics.

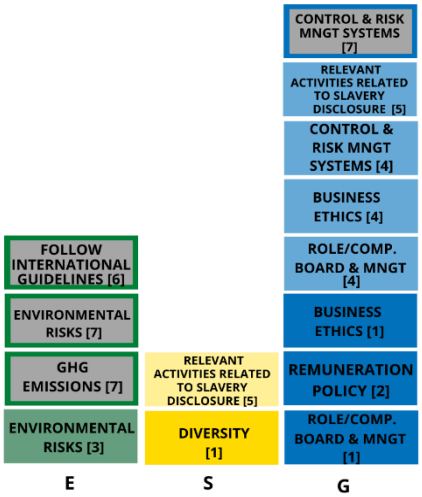
1 Disclosure of Corporate Governance Practices (NI 58-101) for listed firms to report in an annual report, relating to the corporate governance practices discussed in Corporate Governance Guidelines (NP 58-201), assurance not required, materiality not applicable, link (NI 58-101), link (NP 58-201)

2 Law on continuous disclosure obligations for listed firms (including environmental and social risks, policies) to report in annual report, assurance not required (other than for financial statements), financial materiality approach, link

3 Guidelines on reporting of environmental matters (Notice 51-333) for listed firms to report in an annual report, assurance not required, financial materiality approach, link

4 Guidelines on reporting of climate change related risks (Notices 51-354 and 51-358) for listed firms to report in an annual report, assurance not required, financial materiality approach, link (51-354), link (51-358)

5 Guidance on reporting modern slavery related risks for listed firms (implemented in Québec only) to report in an annual report, assurance not required, financial materiality approach, link

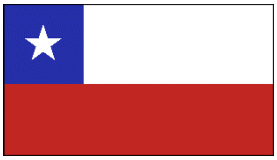


6 Strengthening public climate-related disclosures for Canada's Crown corporations to report in a separate report, website or annual report, assurance encouraged, financial materiality approach, link

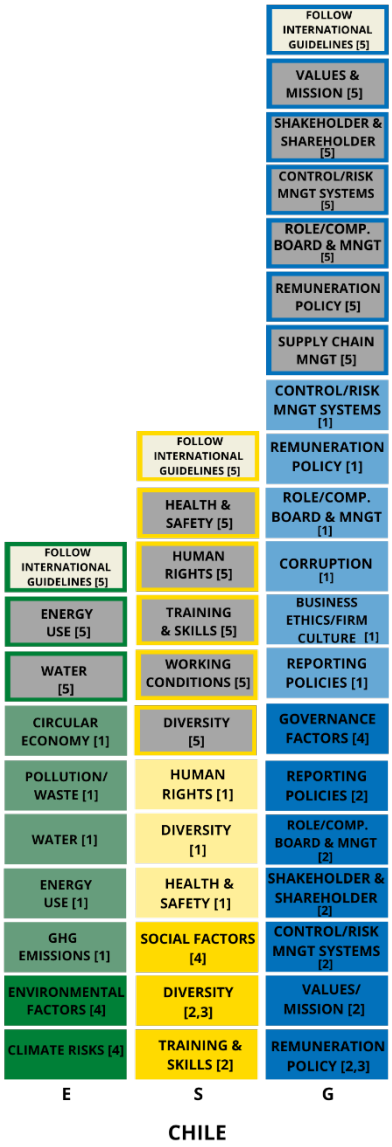
7 Proposed Disclosure of Climate-related Matters (Proposed NI 51-107) for listed firms to provide disclosure set out in the TCFD recommendations (with certain modifications) in an annual report, assurance not required, financial materiality approach for certain disclosures, link

Chile

Entity level



Chile plans a comprehensive ESG disclosure regulation which addresses listed non-financial corporates and financial institutions. Already today, there are voluntary ESG disclosure guidelines and a mandatory corporate governance reporting in place.



1 Voluntary ESG reporting guidelines, for listed entities to report in a separate report, website or annual report, assurance encouraged, materiality approach not specified, link

2 Corporate Governance reporting (NCG 385) for publicly traded corporates to report in a separate report, website or annual report, assurance not required, materiality approach not specified/not applicable, link

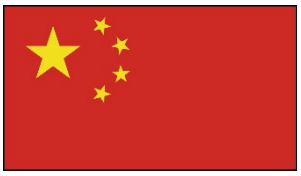
3 NCG 386 for publicly traded corporates to report in a separate report, website or annual report, assurance not required, materiality approach not specified, link and link

4 NCG 276 for pension fund managers to report annually on the website, assurance not required, materiality approach not specified, link

5 Planned ESG reporting for publicly offered securities to report in a separate report, annual report and submission to authority, assurance not required, financial materiality approach, link

China

Entity level



In China, there are mandatory disclosure measures for environmental and governance aspects. In addition to that, there are several guidelines for specific industries or entities listed at one of the stock exchanges. Between May and June 2021, there was a public consultation on amendments to the Information Disclosure by Companies Offering Securities to the Public No.2 and No.3, which were completed and released in June 2021.

1 Measures for the Disclosure of Environmental Information, for enterprises and public institutions to report in a public report, no assurance required, materiality definition not specified, link

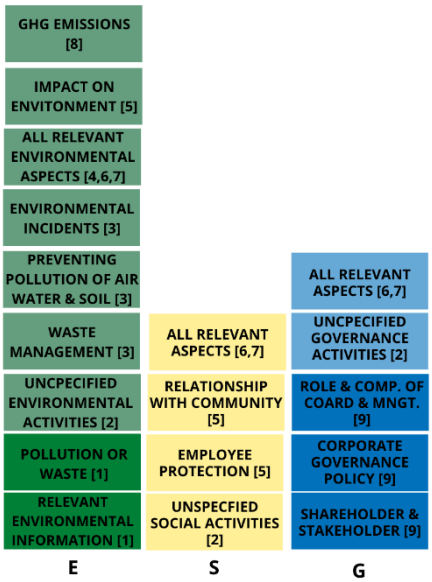
2 Guidelines for the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 - Contents and Formats of Annual Reports, all listed companies to report in a public report and/or to authorities, assurance not required, financial materiality, link

3 Guidelines for financial institutions environmental information disclosure, in the banking and insurance industries, regulators at all levels and banking and insurance institutions to report in a public report and/or to authorities, assurance not required, financial materiality approach, link

4 Shanghai Stock Exchange Guidelines on Environmental Information Disclosure, for listed companies to report in a separate report, no assurance required, materiality approach not specified, link

5 Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies, for listed companies to report in a separate report, no assurance required, materiality approach not specified, link

6 Guidelines on Corporate Social Responsibility for Banking Financial Institutions, reporting channel not specified, no assurance required, materiality approach not specified, link



7 Guidelines to the State-owned Enterprises Directly under the Central Government on Fulfilling Corporate Social Responsibilities, reporting channel not specified, no assurance required, materiality approach not specified, link

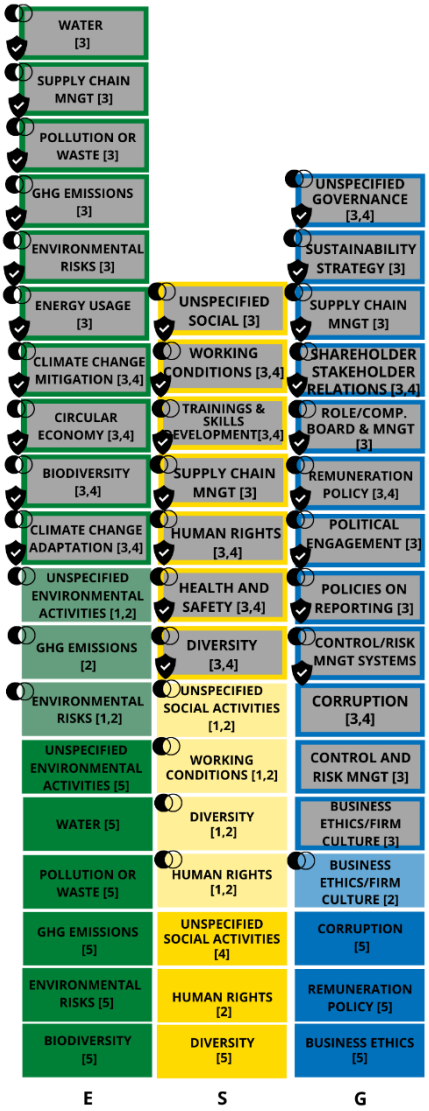
8 Guidelines on Guidelines for Accounting and Reporting Greenhouse Gas Emissions for Magnesium Smelting Enterprises, Civil Aviation Enterprises, Electrolytic Aluminium Production Enterprises, Iron and Steel Production Enterprises, Electricity Generation Enterprises, Electricity Grid Enterprises, Chemical Production Enterprises and Cement Production Enterprises, reporting channel not specified, assurance not required, materiality approach not specified, link (for cement production enterprises)

9 CSRC Corporate Governance Code for listed entities, reporting channel not specified, no assurance required, no materiality approach specified, link

European Union

Entity level

The European Union has mandatory measures for all ESG Criteria on entity level. The impact of the new CSRD (in combination with the Sustainable Finance Disclosure Regulation (SFDR) and the Taxonomy Regulation) is expected to lead to higher standardization, with higher assurance in combination with a larger scope.



1 Non-Financial Reporting Directive for large public interest entities (see Accounting Directive) with more than 500 employees to report in the annual or in a separate report, no assurance required, double materiality approach, link

2 2017 Guidelines on how to report non-financial information, link, 2019 Guidelines on reporting climate-related information, which integrate the recommendations of the Task Force on Climate-related Financial Disclosures, link

3 Corporate Sustainability Reporting Directive proposal for a) all large companies (whether listed or not, and with no 500 employee threshold), and b) all listed companies (including listed SMEs, with the exception of listed micro-undertakings, and also including non-EU companies listed on EU regulated markets), exact definitions see Accounting Directive, to report in the annual report, third-party audit (limited assurance), double materiality approach, link

4 The Taxonomy Regulation for all entities covered by the CSRD, to report in the annual report, third-party audit (limited assurance aiming towards reasonable assurance), double materiality approach, link

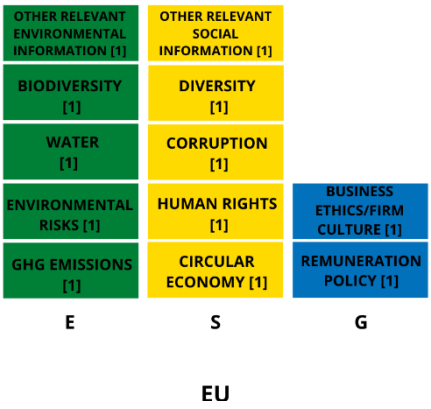
5 EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), link

Note: The possibly upcoming Sustainable Corporate Governance Regulation has not been included, since it is proposal has not been adopted yet and might still be subject to changes. link

Financial products and service level

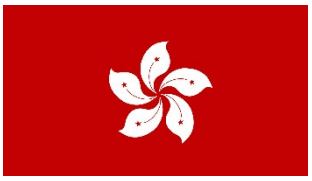
The European Union has regulated sustainability-related disclosure in the financial service sector for a large body of capital market participants, e.g., asset managers and institutional investors, insurance undertakings, occupational and other pension providers investment firms, financial advisers, and all financial products offered by these entities, including insurance and investment advice with the Sustainable Finance Disclosure Regulation (SFDR)).

1 EU Regulation 2019/2088 on sustainability-related disclosures in the financial services sector (SFDR), all ESG factors considered, targeting financial products and services, with either periodical or pre-contractual disclosure in the product prospectus or on the website, disclosure is subject to the supervision of the competent authorities responsible of the entity/products supervision under EU sectoral rules link



Hong Kong SAR, China

Entity level

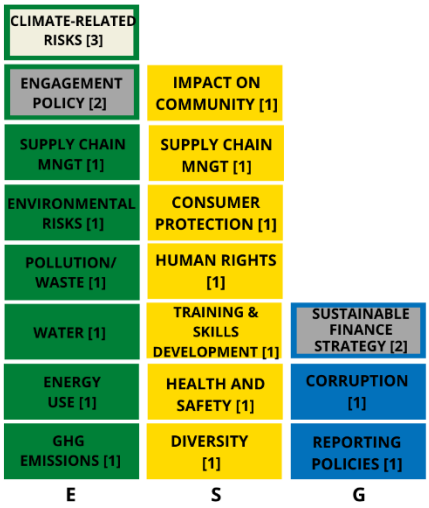


Hong Kong SAR's ESG disclosure requirements for listed companies are set out in the ESG Reporting Guide and related Listing Rules which consist of a combination of mandatory and "comply or explain" requirements. There are specific quantitative and qualitative KPIs in the provisions. Further, reporting within the scope of the Fund Manager Code of Conduct will start in August 2022 which requires fund managers to take into account climate-related risks in their governance, investment and risk management, and on the portfolio carbon footprints at the fund level in certain cases. Disclosure requirements of climate-related risks of banks are under industry consultation.

1 ESG Reporting Guide and related Listing Rules for listed non-financial corporates, listed banks and institutional investors & asset managers on a combination of mandatory and "comply or explain" basis, no assurance required, financial materiality approach, link

2 Amendments to the Fund Manager Code of Conduct to require the management and disclosure of climate-related risks by fund managers (starting 2022), no assurance required, financial materiality approach, link to TCFD, link

3 A draft supervisory policy manual on climate risk management for banks, no assurance required, financial materiality approach, link to TCFD, link



Financial Product and service level

In Hong Kong SAR, there is one existing disclosure guidance for ESG funds. Further, the Fund Manager Code of Conduct has been updated to require fund managers take into consideration climate-related risks in their investment and risk management processes and make appropriate disclosures.

1 Circular to management companies of SFC-authorized unit trusts and mutual funds, authorized funds which incorporate ESG factors as their key investment focus, periodical and pre-contractual disclosure on website, internal audit, financial materiality, link

2 Amendments to the Fund Manager Code of Conduct requires the management and disclosure of climate-related risks by fund managers, applicable to all fund managers but with enhanced standards for large fund managers (HK $8 billion AUM), periodical disclosure, no assurance required, link to TCFD, financial materiality, link

India

Entity level

India has a high number of measures at the entity level connected to all ESG criteria. Complimenting the existing mandatory measures, the planned Business Responsibility and Sustainability Report (BRSR) for the top 1000 listed entities (by market capitalization) will include more diverse topics regarding all ESG factors.

1 Environmental Audit Report for all industries, to annually report to the authority, no assurance required, materiality not specified, link

2 Business Responsibility Report (BRR) for the top 1000 listed entities (by market capitalization), no assurance required, no materiality approach not specified, link

3 Section 135 of the Companies Act for companies with net worth/ turnover/ net profit above specific threshold, to report in the Annual Board of Directors' Report, no assurance required, materiality approach not specified, link

4 Conservation of Energy Disclosures for companies, to report in the board of directors' report, no assurance required, materiality approach not specified, link

5 Corporate Governance Report is an existing measure for listed entities requiring the submission of a quarterly compliance report on corporate governance, link

6 Guidelines on Corporate Social Responsibility, Sustainable Development and Non-Financial Reporting for all Scheduled Commercial Banks (excluding RRBs) to report in the annual report, no assurance required, no materiality definition specified, link

7 Guidelines on Corporate Social Responsibility and Sustainability for Central Public Sector Enterprises (CPSEs), to report in Annual CSR Report and Sustainability Report, no assurance required, materiality approach not specified, link

8 Integrated Reporting by Listed Entities for listed companies (voluntary for top 500 companies by market capitalization), no assurance required, financial materiality, link

9 Planned Business Responsibility and Sustainability Report (BRSR) for the top 1000 listed entities (by market capitalization), no assurance required, no materiality definition specified, link

Indonesia

Entity level

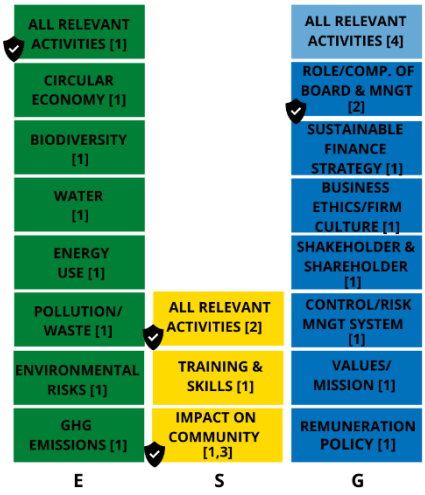
The heart of the Indonesian ESG disclosure measures is Regulation NO. 51/POJK.03/2017 which requires issuer of public offering to report on multiple sustainability aspects. Further, limited liability companies that utilise or impact natural resources are required to disclose environmental and social issues, there are special obligations for state-owned enterprises and corporate governance guidelines.

1 Regulation NO. 51/POJK.03/2017 for issuers of public offerings to report in a separate report or annual report, assurance not required, materiality definition not specified, link

2 UU 40/2007 for limited liability companies to be reported in annual report, internal audit required, materiality approach not specified, related to PP 47/2012 (article 6), link

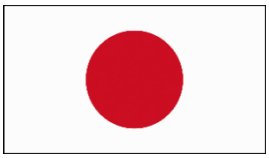
3 SOE reporting for state-owned enterprises to report in an annual and quarterly report (02/mbu/7/ 2017 concerning the second amendment on Peraturan Menteri Badan Usaha Milik Negara nomor per-09/mbu/07/ 2015), internal audit required, materiality approach not specified, link

4 Corporate Governance Manual for limited liability companies, disclosure location not specified, assurance not required, materiality approach not specified/not applicable, link



Japan

Entity level



Entities producing considerably high greenhouse gas emissions in conjunction with their business activities, or "specified emitters" and large energy users must report their emissions to the authority. The Corporate Governance Code introduces ESG reporting requirements on comply-or-explain basis, a revised version came is expected to come into force in June 2021 and the requirement for TCFD based disclosure is expected to come into force in the first half of 2022. In addition, there are some voluntary measures mainly targeting the social and governance dimension. The "Disclosure of promotion of female participation and career advancement in the workplace for entities" is planned to be expanded to entities with more than 100 employees in 2022.

1 Act on Promotion of Global Warming Countermeasures, reporting to the authority for specified emitters, assurance not required, materiality approach not specified/not applicable, link

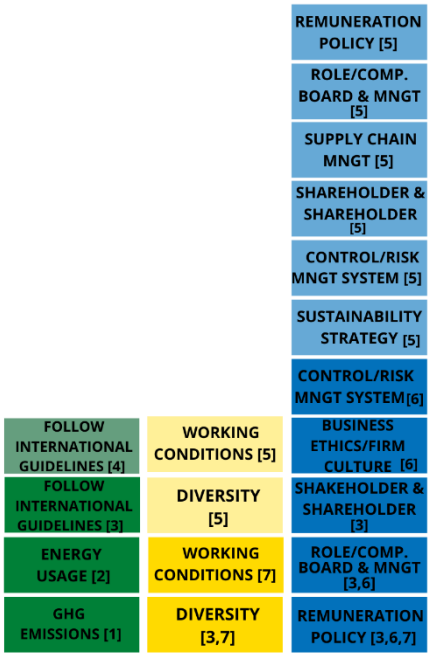
2 Act on the Rationalization etc. of Energy Use, reporting to the authority for large energy users, assurance not required, materiality approach not specified, link

3 Corporate Governance Code, for listed entities, disclosure location not specified, assurance not required, financial materiality, linked to TCFD, link

4 Recommendation to follow TCFD Guidelines for all companies, disclosure location not specified, assurance not required, financial materiality approach, link

5 Voluntary guidelines for integrated disclosure and company-investor dialogue for all entities, disclosure location not specified, assurance not required, financial materiality, link

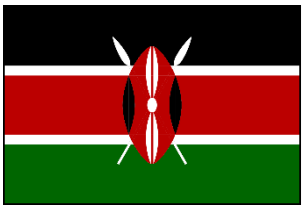
6 Cabinet Office Ordinance on Disclosure of Corporate Affairs for entities issuing a securities report, assurance not required, financial materiality approach, link



7 Disclosure of promotion of female participation and career advancement in the workplace for entities with more than 300 employees, to report in an integrated report, website and official online platform, assurance not required, materiality approach not specified, link

Kenya

Entity level



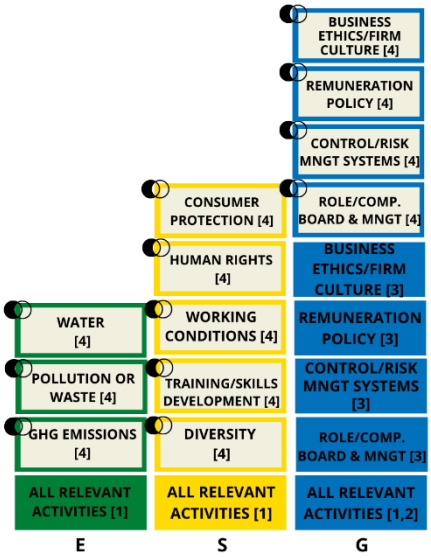
Kenya has mandatory reporting requirements for all ESG dimensions. Furthermore, comprehensive voluntary guidelines with double materiality perspective are planned.

1 Companies Act (last revised in 2015) for listed firms to report in the annual report, no assurance required, materiality not specified, link

2 Stewardship Code for institutional investors, assurance encouraged, materiality not specified, link

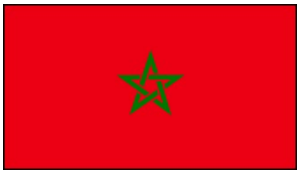
3 Capital Market Acts: Reporting on non-compliance with Corporate Governance Code for public companies to report in annual report, no assurance required, materiality not specified, link

4 Draft ESG disclosure guidelines for listed firms, assurance encouraged, double materiality approach, link



Morocco

Entity level

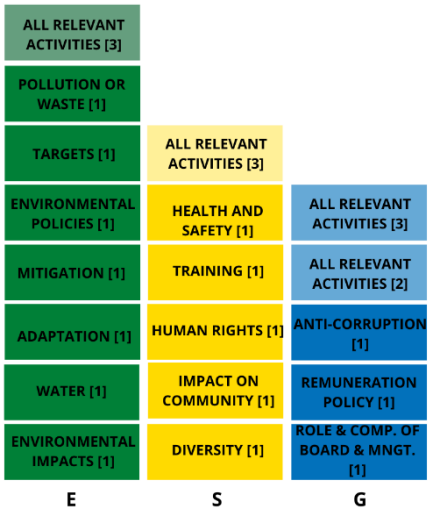


In Morocco, one mandatory measure exists. It is a circular issued by the AMMC in March 2019 and presents non-financial disclosure requirements related to ESG measures. It targets entities listed on the stock market.

1 Circular relating to operations and financial information (AMMC Circular No. 03/19 of 20 February 2019), issuers with public offerings (fewer requirements for alternative market issuer), to report in the annual report, assurance not required, materiality should be defined by the reporting entity, link

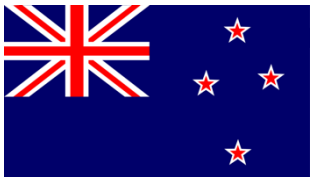
2 Voluntary Moroccan code of good corporate governance practices, for crown and private companies, reporting location not specified, assurance not required, materiality not specified/not applicable, link

3 ESG Reporting Guidelines published by Casablanca Stock Exchange for listed entities, reporting location not specified, assurance not required, materiality not specified, link



New Zealand

Entity level

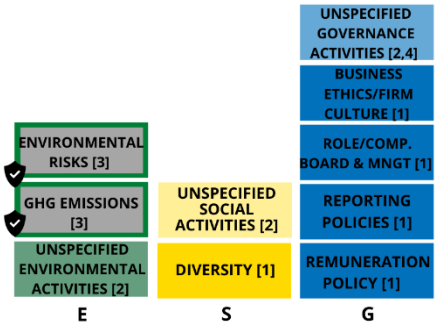


New Zealand has a set of disclosure measures on governance matters for listed companies. Generally, ESG reporting is voluntary. However, the new legislation to require large entities and the financial entities to report climate change impacts might be a turning point for ESG reporting in New Zealand.

1 NZX Corporate Governance Code for listed companies to report in a separate report, website or annual report, assurance not specified, materiality approach not specified, link

2 Environmental, Social and Governance NZX Guidance Note for listed companies to report in a separate report, website or annual report, assurance encouraged, financial materiality approach, link

3 Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill Proposal for mandatory TCFD reporting for listed non-financial corporates, large banks, licensed large insurers, large credit unions and large building society to report in a separate report, website or annual report, third-party audit required, financial materiality approach, link



4 The New Zealand Corporate Governance Forum Guidelines for listed companies to report in a website, assurance not required, materiality approach not specified/not applicable, link

Norway

Entity level

The main ESG disclosure measure in Norway is the Accounting Act which was amended during time and currently is in line with Directive 2014/95/EU which was adopted in Norway as part of the European Economic Area. This measure targets public companies and other large entities and requires disclosure of environmental, social and governance matters.

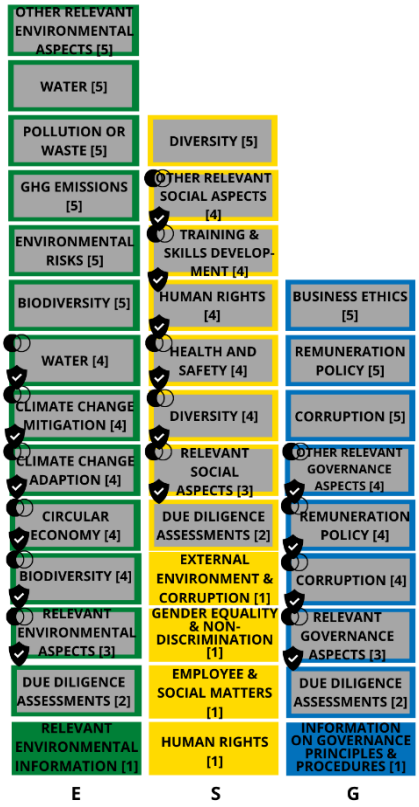
1 Accounting Act of 1998, amended in 2013, and in line with Directive 2014/94/EU, for Public limited companies (ASA) listed companies and all banks to report in the annual report or in another publicly available document, assurance not required, financial materiality approach, link

2 Transparency Act, for large companies that exceed the threshold for two out of three conditions: i) sales revenue NOK 70 million, ii) balance sheet NOK 35 million, iii) average number of employees in the financial year: 50 full-time equivalents, to publish an account of due diligence, assurance not specified, materiality approach not specified, link

3 Corporate Sustainability Reporting Directive which will be implemented in Norwegian law through the EEA agreement. Details are not finalized yet, link

4 The Taxonomy Regulation (will be implemented in Norway through the EEA agreement) for all entities covered by the CSRD, to report in the annual report, third-party audit (limited assurance), double materiality approach, link

5 EU Regulation 2019/2088 (will be implemented in Norway through the EEA agreement) on sustainability-related disclosures in the financial services sector (SFDR), link



Financial products and service level

At the national level, Norway will implement Regulation 2019/2088 on sustainability-related disclosures in the financial services sector through the EEA agreement. This measure requires disclosure for financial product and services, although most of specific details are not finalized yet.

1 The SFDR- Regulation 2019/2088 which will be implemented in Norwegian law through the EEA agreement. Details are not finalized yet, link not available.

Singapore

Entity level

In Singapore, two mandatory measures exist. These are the Code of Corporate Governance and the Singapore Exchange (SGX) listing rule, which require disclosure from listed companies on ESG matters based on a financial materiality approach. Furthermore, there are guidelines in place for financial institutions to report on environmental risk management, with plans to mandate climate-related disclosures for listed companies and selected financial institutions.

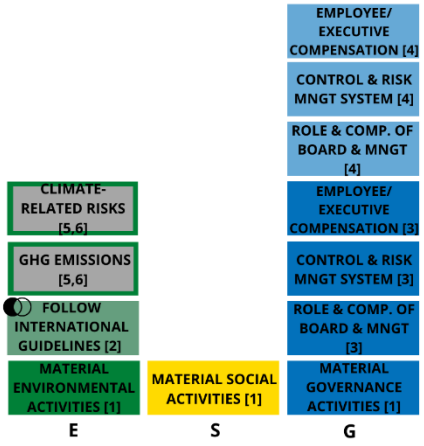
1 Singapore Exchange (SGX) listing rule – sustainability reporting requirements, for listed companies, to report in a separate report, annual report or website, assurance encouraged, financial materiality approach, link

2 Monetary Authority of Singapore (MAS) Guidelines on environmental risk management, for asset managers (link), insurers (link), and banks (link), according to their impact, to report in a separate report, annual report or website, assurance not required, double materiality approach

3 Code of Corporate Governance, for listed companies, to report in annual report, assurance not required, financial materiality approach, link

4 Guidelines on Corporate Governance, for banks and insurers incorporated in Singapore, to report in annual report (for those listed on SGX) or on website (for non-listed entities), assurance not required, financial materiality approach, link

5 SGX consultation on roadmap towards mandatory TCFD-aligned climate reporting, for listed companies, to report in a separate report, annual report or website, internal assurance required, financial materiality approach, link to TCFD, link

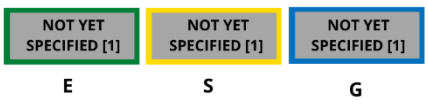


6 MAS planned consultation on mandatory climate-related disclosures, for selected financial institutions, no details specified yet, link not available.

Financial product and service level

In Singapore, one ESG product-level measure is planned. Information about funds must be disclosed in the pre-contractual product prospectus and periodic reports. However, since it is still in the planning phase, details re not finalized yet.

1 Investment: Sustainable Funds, pre-contractual and periodic disclosure for funds, information to be disclosed in product prospectus, assurance and materiality approach are not defined yet, link not available



Switzerland

Entity level

In Switzerland, it is mandatory to report on different ESG matters depending on the legal status, impact, and size of companies. Currently, asset managers, pension funds, insurance companies, and banks report on a voluntary basis to authorities on environmental risks following PACTA climate alignment tests. Listed companies additionally must publish a public report on governance matters by complying with the Directive on Information relating to Corporate Governance.

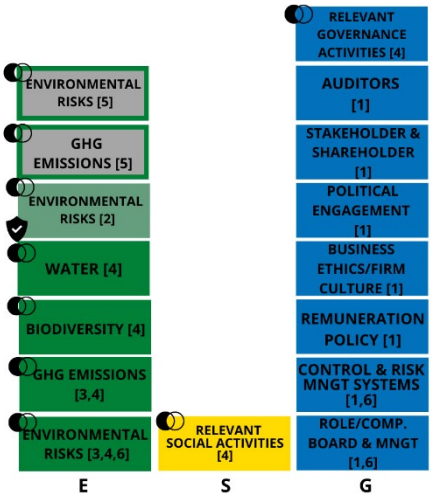
1 Directive on Information relating to Corporate Governance, for listed companies to report in a separate, website or annual report, assurance not required, materiality approach not specified/not applicable, link

2 PACTA climate-alignment tests, for asset managers, institutional investors to report to the authority, and banks, third-party audit required, double-materiality approach, link

3 CO2 act and ordinance act, for all ETS participants and other institutions to report to the authority, by impact, assurance not required, inside-out materiality approach, link

4 Counterproposal to responsible business initiative, for entities with more than 500 employees to report in the annual report, assurance not required, double materiality approach, link

5 Mandatory disclosures based on TCFD, for large companies to report in the annual report, assurance not required, double materiality approach, link



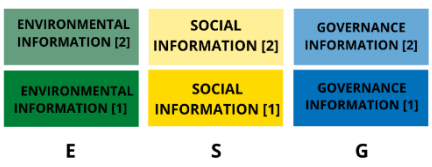
6 Revised circulars on disclosure, for globally and domestically systemic important banks to report in the annual report and insurers in a financial condition report, assurance not required, financial materiality approach, link

Financial product and service level

In Switzerland, a couple of ESG product-level measures are currently implemented. Such measures are related to both financial products and services.

1 Protection against confusion or deception, pre-contractual and periodical disclosure for funds, disclosure location not specified, assurance not required, materiality definition not specified/not applicable, link

2 Recommendations of SFAMA (today: AMAS) and SSF, pre-contractual and periodical disclosure for funds, reporting in website, assurance not required, materiality definition not specified/not applicable



United Kingdom

Entity level

In the United Kingdom, several mandatory measures concerning ESG disclosure have been issued at the entity-level. The UK has started early with mandatory Carbon disclosure in 2008 and has been constantly developing requirements and indicators. Current development shows a focus towards TCFD-aligned disclosures for a wide range of companies (publicly quoted companies, large private companies and Limited Liability Partnerships). The UK's newly announced Sustainability Disclosure Requirements (not included in the figure) will build on this work, requiring entity level disclosures on climate impact, alongside the risks/opportunities these pose to businesses.

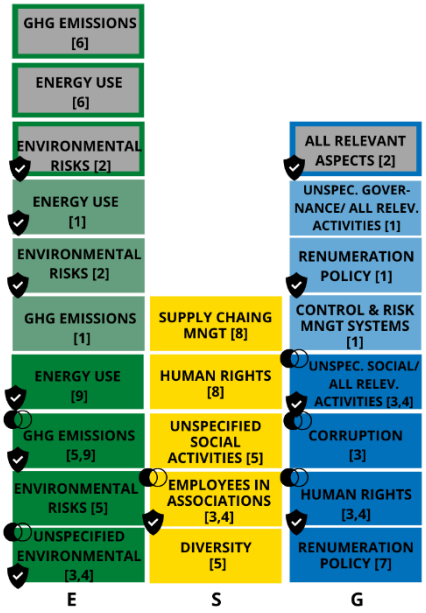
1 TCFD-aligned disclosures for premium listed issuers to report in the annual report, third-party audit (consistency check), financial materiality, link

2 Mandatory climate-related financial disclosures by publicly quoted companies, large private companies and LLPs to report in the annual report, third-party audit (consistency check), financial materiality, link

3 The Companies, Partnerships and Groups (Accounts and Non-Financial Reporting) Regulations 2016 for undertakings which have been designated by the UK as a public interest entity under that Directive to provide a separate non-financial statement as part of their strategic report, no assurance required, no materiality definition specified, link

4 The Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 for entities with turnover of more than £36m, balance sheet total of more than £18m, more than 250 employees (two or more), to report in the annual report, no assurance required, double materiality, link

5 Climate Change Act 2008 for entities with turnover of more than £36m, balance sheet total of more than £18m, more than 250 employees (two or more) to report in the annual report, no assurance required, no materiality definition specified, link



6 Environmental Reporting Guidelines 2019: Including streamlined energy and carbon reporting guidance for non-financial corporates with more than 40,000 kilowatt-hours (kWh) energy use to report in the annual report, no assurance required, materiality definition not applicable, link

7 The Equality Act 2010 (Specific Duties and Public Authorities) Regulations 2017 for employers in England, Wales and Scotland with at least 250 employees, to report in website, materiality definition not applicable, link

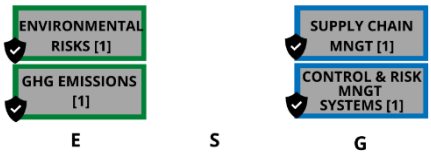
8 Modern Slavery Act 2015 for entities with sales of more than £36 million and if some or all of its business is in the UK, to report in website, materiality definition not applicable, link

9 The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 for entities with turnover of more than £36m, balance sheet total of more than £18m, more than 250 employees (two or more), to prepare energy and carbon report, materiality definition not applicable, link

Financial product and service level

In the United Kingdom, TCFD-aligned and sustainability-related disclosure requirements are planned for the financial product level. The information should be published periodically on the website of the respective firm.

1 TCFD-aligned disclosures for asset managers, life insurers and FCA regulated pension providers, focus on E and G factors, mandatory periodical disclosure on website with third-party audit, link to TCFD financial materiality definition, link



United States

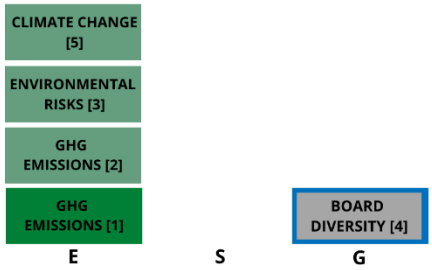
Entity level

In the US, no mandatory ESG measures are in place. However, few voluntary measures regarding greenhouse emissions and environmental risks are provided for companies to use based on their impact and legal status, respectively. The Voluntary Greenhouse Gas Reporting Program is intended for companies that release emissions while the Interpretive Guidance on Disclosures Related to Climate Change is intended for public companies.

1 Greenhouse Gas Reporting Program (GHGRP), for companies with large GHG emissions to report to an authority (data will be made public by the Environmental Protection Agency), assurance not specified, materiality approach not specified, link

2 Voluntary Greenhouse Gas Reporting Program, for companies that release emissions in the US to report in the annual report, assurance encouraged, materiality approach not specified, link

3 Interpretive Guidance on Disclosures Related to Climate Change, for public companies to report in the annual report, assurance not required, materiality approach not specified, link



4 Securities and Exchange Commission Release No. 34-92590, for listed companies in Nasdaq, apart from i) foreign issuers, ii) small firms and iii) with a small board, to report in a separate, website or annual report assurance not required, materiality approach not specified, link

5 Climate Change Disclosure, details not specified yet, link

7. Conclusion: State and trends of ESG disclosure

As a first step towards ESG disclosure improvement, this report provides a detailed assessment of the state of ESG disclosure measures (i.e., laws, regulations, guidelines, and recommendations) across 19 jurisdictions – the 17 members of the International Platform on Sustainable Finance (IPSF), together with Brazil and the US. It provides an overview about the current state of ESG disclosure measures, summarize emerging global trends, and to identify key gaps that need to be addressed, informing the way forward.

The stocktake shows that ESG disclosure measures are a dynamically evolving field with a diverse landscape of ESG disclosure policy measures. The assessment of ESG disclosure, in this report and going forward, greatly benefits from the explicit consideration of its seven building blocks: (1) the disclosure content, (2) the mandatory or voluntary nature of the disclosure measure, (3) the underlying materiality definition, (4) the scope of affected entities or financial products and services, (5) the assurance requirements, (6) the disclosure channel through which the ESG information is published, and, (7) the reference to or application of a disclosure standard. Based on this structured assessment, the following findings have emerged, findings that policy makers and other decision makers and stakeholders may take into consideration, in accordance with own legal frameworks and policies:

CURRENT STATE

1. Increasing demand for sustainability-related information from capital market participants and beyond.
2. Regulation tends to focus on large non-financial corporates, financial institutions (entity level) and publicly listed companies.
3. Development towards more mandatory ESG disclosure measures; however, tends to be focusing on large and/or listed corporates.
4. Product and service level measures are still at nascent stage in most jurisdictions.
5. ESG disclosure measures generally not require specific KPIs, and assurance requirements are underdeveloped.
6. Environmental disclosure measures often focus on climate-related ones and less on other sustainability issues (e.g., biodiversity).

OPPORTUNITIES AND POSSIBLE WAYS FORWARD, on a voluntary basis and in accordance with own legal frameworks and policies

1. Internationally comparable and interoperable ESG disclosure measures (especially regarding disclosure content and materiality definition) and improved accessibility of data.
2. The heterogeneous state of ESG disclosure measures lends itself to further in-depth exploration to leverage the substantial mutual learning potential by comparing approaches and identify important lessons about what works (and what doesn't).
3. Limitations, as listed above, could be considered and potential solutions explored.
4. ESG disclosure measures for private (non-listed) companies and for SMEs are necessary to help understand the related sustainability risks and impacts and to enable their access

to sustainable finance. Thereby, well-tailored approaches with clear guidance and impact-based scope definitions increase acceptance and usefulness of these measures.

Annex - ESG data availability in practice: What is the investors' perspective?

This addition focuses on the actual implementation of corporate ESG disclosure practices and takes a sustainability data user's perspective to see how far ESG-related information is available to investors. To evaluate the ESG dimensions of a firm, investors need access to standardised ESG performance data. Commercial data providers offer this information through various ESG data points, which are widely used by investors (*Amel-Zadeh and Serafeim, 2018*) – although there is little clarity and alignment on definitions, including on what ratings or data products intend to measure (*IOSCO, 2021; Berg, Koelbel and Rigobon, 2020*).

In practice, ESG data is not comprehensively available to investors. This could be because the regulations, if they exist, are not very specific about the disclosure content (e.g., no clear, quantitative KPIs) or only target a fraction of listed companies. Another reason is that ESG rating agencies mostly target a selected universe of (mostly large) companies and only collect data for the companies in scope. In general, regulation is considered as one of the main drivers of increased data availability, jointly with investor engagement (*Jürgens and Erdmann, 2020*).

Disclosure quantity for *ESG Score* and *CO_2 emissions*

Through a descriptive empirical analysis using company-level data from Refinitiv, the availability of the variables ESG Score [8] and Scope 1 CO_2 emissions [9] is assessed (**Table 1).** Investors often rely on ESG Scores as a first overview (*Huber, Comstock, Polk and Wardwell, 2017*), whereas CO_2 emissions are the most important indicator for a corporate climate footprint. The absolute and relative availability of both data points are presented. The former relates to the number of listed national firms, whereas the latter describes for how much of the market capitalization the respective data point is available. For the example of Argentina, this reads as follows: out of 77 listed firms, the data point *ESG Score* is available for 62.3% which covers 94.5% of the entire market capitalization (19.5% and 55.6% for CO_2 emissions respectively). The data availability for the *ESG Score* is significantly higher across the board since it is an aggregated figure (and not every indicator is needed). In terms of market capitalization - an indicator not necessarily correlated with corporates' environmental footprints - a high share is covered since ESG rating agencies tend to focus on large companies. As for CO_2 emissions, Switzerland and the UK have the highest absolute data availability, followed by Brazil, Argentina, New Zealand and Norway. However, it is difficult to identify a causal link between mandatory regulations and data availability here since there are many other

[8] The ESG Score is based on ten categories: Emission, innovation, resource use (environmental), CSR strategy, management, shareholders (governance), community, human rights, product responsibility, workforce (social). Within these categories, there are a total of 186 individual data points. All are weighted and result into a score that ranges between zero and 100. For more information, see link.

[9] Scope 1 CO_2 emissions are direct emissions, i.e., emissions from company-owned facilities. They can be distinguished from indirect emissions (Scope 2 and Scope 3).

influencing factors at play. Data availability, in this case, also largely depends on whether certain companies are targeted by the ESG rating agency, or whether certain markets (such as EME markets) are fully covered by the rating agency.

		Data point: ESG Score[1]		**Data point: CO_2 Scope 1[2]**	
Jurisdiction	**number of listed firms**	**Absolute availability** *(% of firms)*	**Relative availability** *(market capitalization)*	**Absolute availability** *(% of firms)*	**Relative availability** *(market capitalization)*
Argentina	77	62.3%	94.5%	19.5%	55.6%
Brazil	217	41.5%	88.7%	19.8%	54.3%
Canada	2563	14.4%	95.2%	5.5%	73.1%
Chile	163	20.9%	71.4%	12.9%	57.5%
China	4168	14.3%	62.9%	2.0%	16.8%
EU 27	4432	21.6%	92.1%	14.3%	78.0%
Hong Kong	2171	11.1%	81.1%	7.2%	56.4%
India	3160	4.8%	70.4%	1.7%	38.7%
Indonesia	700	6.4%	63.9%	1.4%	5.3%
Japan	3873	11.5%	79.0%	5.9%	55.3%
Kenya	52	1.9%	48.9%	1.9%	48.9%
Morocco	72	1.4%	0.6%	n/a	n/a
New Zealand	121	46.3%	89.4%	18.2%	57.4%
Norway	286	24.5%	89.7%	17.1%	84.1%
Singapore	651	12.4%	85.4%	5.4%	47.3%
Switzerland	232	52.2%	95.3%	24.6%	76.1%
UK	1280	30.4%	93.8%	24.2%	90.0%
USA	5554	52.1%	95.5%	10.8%	55.4%

1) Refinitiv (2019 data), variable: ENERDP024
2) Refinitiv (2019 data), variable: TRESGS

Table 1 - ESG data availability across IPSF jurisdictions

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