Shaping High-Quality Mandatory Disclosure

Taking stock and emerging best practice

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Foreword

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We are in the most critical decade for environmental action. Science has made clear that we have less than seven years to cut global greenhouse gas emissions in half, while completely halting and reversing nature and biodiversity loss.

Since the turn of the decade, historic pledges and commitments have been made. However, despite significant progress, rapid, robust and immediate action by governments, corporates, and other non-state actors alike remains desperately needed to accelerate the rate of change.

At CDP, we know that environmental disclosure is the bedrock of such action by corporates and financial institutions. It allows all actors to understand and manage risks, opportunities, dependencies and impacts, and provides crucial insights for understanding and evaluating progress made with a holistic, whole-of-society perspective. You can't manage what you don't measure.

In the 20 years since CDP pioneered corporate environmental disclosure, it has become an established business norm among large companies and is increasingly being encouraged by policy and regulation in many major economies. But in order to allow a rapid and effective response to the environmental crises we are all facing, we need environmental disclosure to become mainstream.

At CDP, we're proud of the foundational role we have played in developing and scaling disclosure, normalizing corporate behaviour though our disclosure platform, allowing capital market actors to access the environmental data needed to facilitate the growing shift of capital allocation to support the implementation of international environmental agreements and goals; and supporting governments to develop impactful regulation that leverages the ambition of pioneering companies, as well as addressing market failures and boosting resilience. Yet more must be done, which requires action from policymakers.

Since the adoption of the Recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD) we have witnessed a steep increase in policy and regulation on climate disclosure requirements. However, policymakers and the private sector still need to address environmental issues holistically, capturing both climate and nature-related impacts. At the same time, regulation needs to be approached with coherency, comparability and ambition. Most climate-specific policy and regulations still neglect critical aspects of a corporate net-zero journey, including Scope 3 emissions and transition plans. For context, in 2022, less than 1% of companies worldwide disclosing through CDP had a 1.5°C, credible transition plan, with 25% committing to implement a plan within the next two years, outlining the need for more ambitious and comprehensive regulation.

In 2023, to reflect the much-evolved policy and corporate disclosure landscape, we felt the time had come to review the principles of high-quality mandatory disclosure – which we refer to as "the HQMD Principles".

At CDP, we are committed to supporting policymakers and financial markets regulators to mandate the most robust and impactful disclosure regulation, putting our wealth of data, insights and expertise at their disposal. To this end, we first developed the concept of "high-quality mandatory disclosure" back in 2021 as first movers began to develop and implement climate disclosure policy and regulation. This work has informed our advocacy activities; for example, through Business for Nature's "Make it Mandatory" campaign gearing up to the CBD COP15[1]. It also steered our bilateral engagements with policymakers and financial market regulators in the jurisdictions where CDP has operations. Furthermore, we have been using the work as a foundation to engage with emerging economies, especially in collaboration with the IFC and the UN Sustainable Stock Exchanges Initiative[2]. In 2023, to reflect the much-evolved policy and corporate disclosure landscape, we felt the time had come to review the principles of high-quality mandatory disclosure policy and regulation – which we refer to as "the HQMD Principles".

In this policy brief, we will present these principles on which high-quality disclosure policy and regulation should be based, which will allow the potential of disclosure to be fully unleashed and drive the economy towards the global environmental goals set out in the 2030 Agenda for Sustainable Development, the Paris Agreement and the Global Biodiversity Framework. Using the HQMD Principles, we assess existing policies and regulations of some of the world's largest and most impactful economies – the G20, plus some key international financial hubs and identify emerging best practices to inspire and cross-pollinate regulatory approaches across jurisdictions. **While this brief focuses on environmental disclosure, the principles are useful for policymakers and regulators considering broader sustainability-related disclosure policy and regulation.**

This report serves as an urgent call to action, primarily to policy makers and financial markets regulators, as well as to businesses, financial institutions and civil society to take decisive and coordinated steps in driving transparency, accelerating the adoption of mandatory high-quality corporate disclosure regimes.

Through collaborative efforts and unwavering commitment, CDP will ensure environmental disclosure serves as an effective tool in transitioning to a net-zero, nature-positive global economy, driving informed and sustainable decision-making, and ultimately safeguarding our planet for current and future generations.

Global Director, Policy Engagement and External Affairs

1 For the full list of members of the campaign, see https://www.businessfornature.org/make-it-mandatory-campaign.
2 Analysis of Best Practices in Environmental Disclosure Policies (ifc.org).

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Introduction

CDP calls on G20+ policymakers and financial market regulators to embrace the journey towards HQMD policy and regulation at speed.

In the past decade, many jurisdictions have introduced environmental disclosure requirements for corporates and financial institutions (FIs). CDP's analysis shows that disclosure policies and regulation adopted across jurisdictions prioritize climate-related financial disclosure, in response to the impetus provided by the TCFD recommendations. However, recently, and encouragingly, disclosure regulations are encouragingly evolving into broader environmental realms, mirroring the growing consensus of the interconnected climate and broader environmental crises. To hasten progress, in this report CDP presents 10 Principles for High-Quality Mandatory Disclosure (HQMD), which can serve as a compass for policy makers, financial market regulators, and stock exchanges. This work builds upon CDP's previous recommendations on climate-related disclosure regulation[3], and reflects our own journey and commitment to improving the data we collect and the way we collect it.

In light of the most disclosure-relevant multilateral developments – the recent agreement of the Kunming-Montreal Global Biodiversity Framework, the Paris Agreement and this year's UN Water Conference – we focus on regulation across climate change, biodiversity and water security. Forests – which CDP has been driving disclosure on for almost a decade – currently cuts across these themes in the context of existing disclosure regulation. We also touch briefly on the emerging area of plastics disclosure, to which CDP expanded to cover in 2023, and governments are addressing through the ongoing Global Plastic Treaty negotiations. We reflect on policies across G20 countries, as well as Singapore, Hong Kong and Switzerland - together referred to as the G20+, and provide our recommendations for HQMD to ensure a sustainable transition towards a 1.5°C, resilient, and nature-positive future[4].

This work was not undertaken by CDP alone. The policy brief has been informed by a dialogue with CDP's network, and with the engagement of a cross-thematic steering committee, drawing upon the expertise of organizations close to the topics at hand. The 19 members of the Steering Committee provided valuable insights and feedback to CDP (see annex for complete list)[5]. Our thanks extend to those who offered their time and valued contribution to this policy brief.

Ultimately, CDP calls on G20+ policymakers and financial market regulators to embrace the journey towards HQMD policy and regulation at speed. This brief outlines what high-quality mandatory disclosure regulation means and maps the state of play across the world's environmental disclosure regulations.

3 https://cdn.cdp.net/cdp-production/cms/policy_briefings/documents/000/005/863/original/TCFD_disclosure_report_2021_FINAL.pdf?1631608521.

4 "Nature positive" means that we need to halt and reverse nature loss measured from a baseline of 2020, through increasing the health, abundance, diversity and resilience of species, populations and ecosystems so that by 2030 nature is visibly and measurably on the path of recovery. Source: https://www.naturepositive.org/

5 HQMD Principles - Feedback Sheet - Master.xlsx (sharepoint.com) (internal).

Key global developments

Since CDP's first policy brief on high-quality mandatory disclosure in 2021, there has been significant progress both in environmental science and the environmental disclosure landscape.

Both corporations and policymakers are increasingly recognizing the importance of nature, informed by growing scientific evidence about the vital interaction between climate and the natural environment. Significant strides have been made through international agreements that enshrine the need for environmental disclosure. Moreover, the standard-setting ecosystem for climate and nature disclosures has matured, as evidenced by the convergence of sustainability-related financial disclosure standards within the International Financial Reporting Standard (IFRS) Foundation, the establishment of the International Sustainability Standards Board (ISSB), and major regional advancements such as the implementation of the European Sustainability Reporting Standards (ESRS).

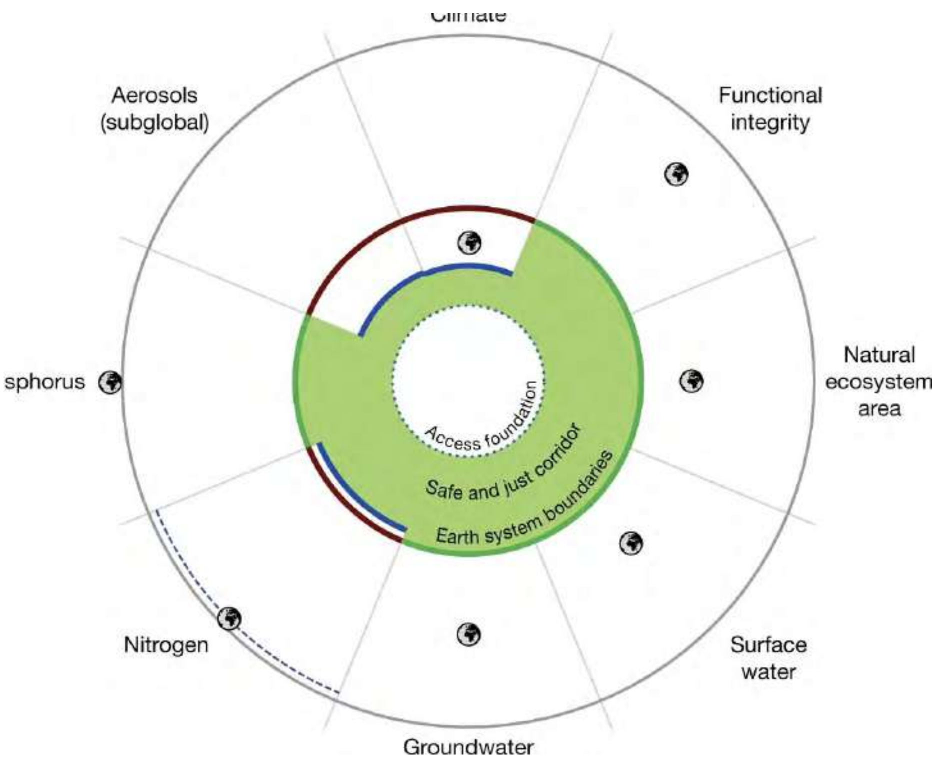
Earth system boundaries

A recent groundbreaking study has quantified the conditions needed for people and planet to thrive, introducing the concept of safe and just Earth system boundaries (ESBs)[6]. ESBs quantify the limits of vital Earth systems, encompassing climate, natural ecosystems, and water, while also considering their impacts on human well-being. The assessment builds upon existing research and science-based political consensus, such as the Planetary Boundaries (PBs) framework, the Sustainable Development Goals (SDGs), and the working groups and reports of IPCC as its scientific cornerstone.

The analysis of the ESBs serves as the robust foundation for establishing new sustainability targets and practices which go beyond only climate, including, amongst others, science-based targets for nature[7]. In this spirit, by embracing holistic environmental disclosure, non-state actors can – and should - transparently articulate their nature-related risks, opportunities, dependencies, and impacts, which is an essential prerequisite for redirecting financial flows towards sustainable activities.

6 Safe and just Earth system boundaries | Nature.
7 Safe and Just Earth System Boundaries published in Nature - Global Commons Alliance.

Figure 1: Visualization of the safe and just Earth system boundaries (ESB)



Growing recognition of nature-related financial risks and global economic implications

It has become increasingly clear that nature-related risks pose fundamental challenges to the stability of the global financial system and come with significant macro-economic impacts. The World Economic Forum's global risk assessment now ranks biodiversity-related risks fourth in severity over the short and long term, emphasizing the pressing need for proactive measures to mitigate these risks and protect ecosystems[8]. In 2022, The Network of Central Banks and Supervisors for Greening the Financial System (NGFS) acknowledged[9] that nature-related risks, including those associated with biodiversity loss, could have significant macroeconomic implications, and that failure to account for, mitigate, and adapt to them poses a risk to global financial stability.

8 Global Risks Report 2023 | World Economic Forum | World Economic Forum (weforum.org).
9 Statement_on_nature_related_financial_risks_-_final.pdf (ngfs.net).

Approximately

75%

of all bank loans in the eurozone are directed towards companies that exhibit high dependency on at least one ecosystem service.

The European Central Bank (ECB) is currently undertaking a comprehensive study to evaluate the extent to which over 4.2 million companies, representing a total of €4.2 trillion in corporate loans, rely on nature and its services. Preliminary findings show that approximately 75% of all bank loans in the eurozone are directed towards companies that exhibit high dependency on at least one ecosystem service[10]. The ECB findings align with other regional analyses, which have underscored the critical link between nature preservation and the sustainability of these companies' operations. Should the ongoing destruction and degradation of nature persist, these companies will face substantial challenges to maintaining their production and service provision capacities, ultimately posing risks to banks' credit portfolios and potentially destabilizing the global financial system.

Policy-related developments

Over the last decade, substantial progress on policy on corporate sustainability disclosure was made globally. Arguably, the first impetus came with the acknowledgement of the role of governments in sustainability reporting in the Rio+20 Conference in 2012. In the outcome document 'The Future We Want', in Paragraph 47, governments acknowledged the importance of sustainability reporting and most importantly encouraged companies to integrate sustainability information into their reporting cycle[11]. A group of leading governments established the Group of Friends of Paragraph 47[12] in support of the advancement of the sustainability reporting agenda, both domestically and internationally. Since then, policymakers' understanding of the matter has grown substantially, reflected in key international policy instruments and increasingly ambitious governments commitments to corporate sustainability disclosure. **These instruments include:**

10 The economy and banks need nature to survive (europa.eu).

11 Rio+20 Outcome Document, "The Future We Want" (2012) – Paragraph 47: "We acknowledge the importance of corporate sustainability reporting and encourage companies, where appropriate, especially publicly listed and large companies, to consider integrating sustainability information into their reporting cycle. We encourage industry, interested governments and relevant stakeholders with the support of the United Nations system, as appropriate, to develop models for best practice and facilitate action for the integration of sustainability reporting, taking into account experiences from already existing frameworks and paying particular attention to the needs of developing countries, including for capacity building."

12 https://www.unep.org/explore-topics/resource-efficiency/what-we-do/responsible-industry/corporate-sustainability-0.

Governments must prioritize gathering essential information on critical issues that profoundly impact our future and our planet.

2030 Agenda for Sustainable Development

At the halfway point to the 2030 Agenda, the 2023 Sustainable Development Goals Report makes for hard reading: progress towards the SDGs is dangerously off track[13]. With global warming at 1.2°C as of 2022 and increasing at a rate of over 0.3°C per decade, SDG 13 on climate action will not be met if current trends continue. Dimensions of biodiversity (SDG 15) are also under threat, with the current loss of species rate being 1,000-10,000 times higher than the natural extinction rate. Meanwhile unsustainable water management practices continue to endanger vital ecosystems and achieving SDG 6 goals, whilst our oceans (SDG 14) face unabated, multidimensional, and complex crises, including acidification, and pollution, including plastic waste and microplastics in marine food chains. Alongside offering shared purpose and common language, SDG target 12.6 (responsible consumption and production) acknowledges the role corporate sustainability disclosure plays, underscoring the interdependence of economic prosperity and environmental stewardship.

There are also persistent gaps that challenge our data landscape in tracking progress towards the SDGs. Geographic coverage, timeliness, and disaggregation remain areas of concern. For several cross-cutting goals, such as climate action (Goal 13), less than half of the 193 countries or areas have internationally comparable data since 2015. Furthermore, a significant challenge lies in the timeliness of data. With less than 30% of the latest available data from 2022 and 2023, while over half of the latest data comes from 2020 and 2021. This stark reality serves as a reminder that we must prioritize gathering essential information on these critical issues that profoundly impact our future and our planet.

Despite the challenges in securing timely data across all 169 targets, some progress has been achieved toward the availability of internationally comparable data[14]. The number of records in the database has grown from 330,000 in 2016 to 2.7 million as of May 2023, signifying a significant expansion of the global SDG database in just seven years.

13 The-Sustainable-Development-Goals-Report-2023.pdf (un.org)
14 The-Sustainable-Development-Goals-Report-2023.pdf (un.org)

Progress has also been made in the methodological development of the SDG indicators. In 2016, 39% of the SDG indicators lacked internationally established methodology or standards, yet by 2020 all indicators had a well-established and internationally agreed methodology, ensuring the comparability, accuracy, reliability, and usefulness of our measurements. Continuous refinement and harmonization of methodologies have made the indicator framework more robust, providing a solid foundation for monitoring the performance of the SDGs.

The Paris Agreement

Data, evidence, and recommendations from the environmental disclosures of non-state actors (NSAs) are critical to address gaps in needs and implementation.

The Paris Agreement involves a five-year cycle of increasingly ambitious climate action, where Parties submit their nationally determined contributions (NDCs), complemented by long-term strategies (LTS). This five year "ratchet mechanism" will be tested this year at COP28 with the first Global Stocktake – a collective assessment of progress on the Paris Agreement goals. In this context, data, evidence, and recommendations from the environmental disclosures of non-state actors (NSAs) are critical for a holistic, whole-of-society perspective, to address critical gaps in needs and implementation.

Since the finalization of the Paris Rulebook at COP26, which set guidance for Parties on the core elements to consider in implementing NDCs, focus has increased on clearer and tighter standards for NSAs in achieving a 1.5°C future, notably through the UN High Level Expert Group on the Net Zero Emissions Commitments of Non State Entities (UN HLEG). The Expert Group released a comprehensive set of recommendations outlining the core elements of net-zero target setting and transition planning for corporates, financial institutions, and local and regional governments[15]. Moreover, the recently published UNFCCC Recognition and Accountability Framework serves as a critical step to more explicitly define the critical elements of commitments, targets, and actions of NSAs that constitute accountability, and how to track progress in a consistent, comparable, and open way.

15 United Nations' High Level Expert Group on the Net Zero Emissions Commitments of Non-State Entities. 2022. "Integrity Matters: Net Zero Commitments by Businesses, Financial Institutions, Cities, States, and Regions."

Global Biodiversity Framework

The 15th Conference of the Parties (COP15) under the Convention for Biological Diversity (CBD) concluded with a landmark agreement known as the Kunming-Montreal Global Biodiversity Framework (GBF). The GBF commits governments to foster conditions that encourage all actors of society to operate in accordance with the mission for 2030 to halt and reverse nature loss and degradation.

A key development within the GBF is Target 15, which has become a milestone in the progression of environmental disclosure. Target 15 commits governments to take legal, administrative or policy measures to encourage and enable business, and in particular to ensure that large and transnational companies and FIs regularly monitor, assess, and transparently disclose their risks, dependencies and impacts on biodiversity by 2030. Given the failure to meet any of the Aichi Targets[16] set at COP10 in 2010, it is essential to prioritize the execution of the GBF to translate ambitious goals into tangible actions.

CDP's partnerships to ensure a strong Target 15

As part of the Business for Nature coalition, CDP contributed to the recommendations for governments on how to implement Target 15 (a) of the GBF, a guidance document based on the HQMD Principles presented in this policy brief.

The CBD Secretariat welcomed the recommendations on assisting Parties to enable businesses to transparently disclose their risks, dependencies and impacts on biodiversity and included it in their Target 15 guidance material shared with Parties[17].

16 https://www.cbd.int/sp/targets/
17 Recommendations for governments on how to implement Target 15 (a) of the Global Biodiversity Framework – Business For Nature.

Global Plastics Treaty

In March 2022, UN Member States agreed to negotiate for a new legally binding global instrument to end plastic pollution with the aim of concluding negotiations by the end of 2024. This Global Plastics Treaty seeks an international framework for addressing the plastic crisis, however, progress to date has shown a narrow understanding and application of corporate disclosure in this space. Currently, plastic-related disclosure will only apply specifically to reporting on polymers and chemicals of concern, along with certain waste metrics[18]. This is a good start, but greater ambition is needed. The Global Plastics Treaty should ultimately include a much broader requirement for disclosure on the risks, opportunities, dependencies, and impacts associated with plastics, employed as one of the key means of its implementation.

Scaling plastic disclosure to end plastic pollution and waste, and ensure a robust Global Plastics Treaty

For the first time, in 2023, 7,000 companies were asked to disclose plastic-related data through CDP (aligned with the Ellen MacArthur Foundation and UNEP's Global Commitment[19]). Together with our partners, The Pew Charitable Trusts, Minderoo Foundation and the Ellen McArthur Foundation we are advocating for a robust and ambitious Global Plastics Treaty. This should include a mandatory plastic-related disclosure mechanism for businesses and FIs clearly linked with the national reporting process that treaty signatories will be required to undertake, and which requires reporting not only on relevant metrics and targets, but also on the risks, opportunities, dependencies and impacts associated with the entire plastic lifecycle.

18 For more information, please use CDPs guidance material: Guidance for companies - CDP.
19 The New Plastics Economy Global Commitment | UNEP - UN Environment Programme.

Water stress is becoming the norm, with forecasts indicating that two-thirds of companies will face substantial water risks, either in their operations or supply chains.

Global Water Conference

2023 has been a landmark year for the global water agenda. For the first time in half a century, governments worldwide came together to address water insecurity at the 2023 UN Water Conference. The conference marked the release of the inaugural report from the Global Commission on the Economics of Water, which includes seven policy recommendations, one of which advocates for governments to mandate water disclosure.

This renewed political momentum comes alongside the growing frequency and severity of global water stress events. Water stress is becoming the norm, with forecasts indicating that two-thirds of companies will face substantial water risks, either in their operations or supply chains. CDP data shows a steady annual improvement in the volume and quality of water-related disclosures. However, voluntary efforts are falling short of the urgency and magnitude of the ongoing water crisis and regulations are more necessary than ever.

Over

140

countries came together to eliminate deforestation at COP26.

Global Forest Declaration

At COP26, the Glasgow Leaders Declaration on Forests and Land Use was launched, bringing together over 140 countries to eliminate deforestation. Parties reaffirmed the commitments made at COP26 during COP27, through the Forest and Climate Leaders Partnership, which aims to ensure accountability for the pledge to end deforestation by 2030.

The Partnership encompasses several action areas, including shifting private finance away from activities that contribute to forest destruction and toward supporting solutions that accelerate nature recovery. A crucial building block for achieving this objective lies in the availability of comprehensive and reliable information for the finance sector and other relevant stakeholders. In 2022, the Partnership announced standards that companies should adhere to in order to trace commodities and disclose any ties to deforestation.

In 2021,

1,598

(12%) of companies disclosing through CDP responded to all TCFD-aligned questions.

Environmental Disclosure Frameworks and Standards

As disclosure is becoming the norm, new standards and frameworks have been set up to coordinate action and enable data produced by a range of entities to be used and compared across sectors and jurisdictions. A significant milestone was when the Financial Stability Board created the Task Force on Climate Related Financial Disclosures (TCFD) in 2015. The objective of TCFD was to establish a framework that companies could voluntarily adopt to help financial institutions effectively assess and price climate risks.

Since the framework was released in 2017, voluntary adoption of the TCFD recommendations has grown year on year. CDP fully aligned its disclosure system with the TCFD recommendations in 2018, and as of 2021, 1,598 (12%) of companies disclosing through CDP were responding to all TCFD-aligned questions.

Building on the success of the TCFD, the Taskforce on Nature-related Disclosures (TNFD) was established in 2020 to help corporates and FIs understand and act on the destruction of land, ocean, freshwater and atmospheric health. While the TNFD and TCFD recommendations both revolve around the central pillars of governance, strategy, risk management, and metrics and targets, TNFD distinguishes itself by encouraging integrated climate- and nature-related risk management and disclosures[20].

Alongside the development of these taskforces, other benchmarking and standard-setting initiatives have made significant strides. The TNFD links to the development of other frameworks and benchmarks, including for instance, Science Based Targets initiative (SBTi), which provides the gold standard for companies in setting science-based emission reduction targets, and more recently, the Science-based Targets Network (SBTN), building on the momentum of the SBTi to enable companies and cities to set science-based targets for nature.

Within the standard-setting landscape, the long-established Global Reporting Initiative (GRI) remains essential in advancing comprehensive disclosure practices that help organizations report on their impacts and demonstrate their commitment to meet global goals. The Global Sustainability Standards Board (GSSB) is committed to the continuous development of the GRI Standards.

20 TNFD framework FAQs – TNFD.

In response to the growing need for globally coherent standards, the IFRS Foundation established the International Sustainability Standards Board (ISSB) at COP26. Favoring a step-by-step approach, the ISSB has introduced an initial batch of standards. Included in these is the IFRS S2 Climate-related Disclosure Standard, which aims to provide a shared language for companies to disclose their climate-related risks and opportunities. Furthermore, as of July 2023, the TCFD has culminated its work and monitoring of companies' progress on climate-related disclosures has shifted to the IFRS Foundation. The ISSB has expressed its intention to expand its work on sustainability-related matters, and identified Biodiversity, Ecosystems, and Ecosystems Services (BEES) as a potential theme to explore in the next two years.

The evolving landscape of the standard-setting bodies like GRI and ISSB provides a robust global baseline for governments to build upon while developing mandatory disclosure regulations. This complements the essential role CDP has played in scaling the adoption of impactful frameworks and standards.

Implementation of standards in the EU and US

There are three significant proposed standards that have already been published or are currently under development: ISSB's IFRS S1 & S2, European Financial Reporting Advisory Group's (EFRAG) ESRS and the US. Securities and Exchange Commission's (SEC) proposed climate disclosure rule. Most companies will likely be impacted by one or more of the proposed standards. While they are each comprised of expansive sustainability disclosures, they vary in their proposed scopes and details of disclosure requirements (for more information, please refer to Annex 1).

CDP's critical role in scaling the adoption of robust and impactful frameworks and standards

CDP aligned its questionnaire with the TCFD in 2018 and supports its adoption by businesses and financial institutions. Together with the International Finance Corporation (IFC) and the United Nations Sustainable Stock Exchange Initiative, CDP has trained over 20,000 people from 142 countries and 51 stock exchanges on TCFD disclosure.

From 2024, CDP will incorporate the IFRS S2 into its disclosure system, ensuring a rapid early adoption of the global baseline standard for sustainability-related financial[21] information. It is our intention to adopt, align or integrate with impactful, high-quality global and jurisdictional-level standards, including the European Sustainability Reporting Standards (ESRS).

By leveraging insights and tools provided by the TCFD, TNFD, GRI and ISSB, and riding the wave of momentum generated by global initiatives such as the GBF's Target 15 or the Global Commission on the Economics of Water report, policymakers can create a regulatory environment that effectively captures and communicates the interconnections between climate and nature, driving progress towards a sustainable, nature-positive future.

21 https://www.ifrs.org/news-and-events/news/2022/05/issb-outlines-actions-required-to-deliver-global-baseline-of-sustainability-disclosures/.

Working towards high-quality mandatory disclosure policy and regulation

In 2022 alone,

18,600+

companies disclosed through CDP on climate change, while only

1,043

companies reported on forests ; and

3,908

companies reported on water security.

Background and rationale

Environmental disclosure not only exerts influence over corporate behaviour, but also guides the allocation of financial capital towards more sustainable activities, providing the vital information needed for capital market actors to make better informed decisions, and allowing progress against global environmental agendas. At the same time, environmental disclosure serves as a crucial stepping stone towards greater accountability for private sector actors.

In 2022 alone, more than 18,600 companies disclosed through CDP on climate change, while only 1,043 and 3,908 companies reported on forests and water security, respectively. While the quantity of voluntary climate disclosure is clearly progressing, the depth and breadth remains too limited. For example, only 4,220 of total disclosers (23%) provided information on their Scope 3 emissions: a critical component of a company's net-zero journey. These issues suggest that voluntary disclosure alone is not enough.

Governments have started to address these shortcomings with policy and regulation. Policy and regulation on sustainability disclosure is a key driver of making disclosure common practice and ultimately will foster a culture of transparency to help accelerate the transformation of capital markets and economies at large. Disclosure requirements, where adopted, have created a level playing field. However, the approaches are patchy, as explored in the next chapter. Influential disclosure frameworks and standards will remain instrumental in guiding the execution of disclosure regulations. While policies and regulations should draw from existing guidelines, such as the ones we previously highlighted, they should build on them and go beyond by providing a clear, overarching direction for future progress.

The current evolution of disclosure frameworks and standards, while beneficial in focusing on thematic areas, risks fragmenting this holistic approach. Various standards have indeed developed valuable thematic focuses, however integration of these various thematic approaches is key to ensure consistency, address potential trade-offs and avoid cherry picking. It is thus important to adopt an integrated perspective towards environmental issues, which are interconnected and mutually reinforcing.

Principles are set for environmental disclosure, they can be used for broader sustainability disclosure policy and regulation.

CDP's HQMD Principles

CDP is committed to ensuring that current and future regulation is as impactful as possible. Therefore, CDP established a set of key principles for high-quality mandatory disclosure policy and regulation.

These HQMD Principles are intended to support policymakers and financial market regulators in designing comprehensive, high-quality, and effective mandatory environmental disclosure regimes. While the Principles are set for environmental disclosure, they can be used for broader sustainability disclosure policy and regulation.

These Principles offer inspiration for jurisdictions to establish robust environmental disclosure policy and regulation to enhance transparency, enable better risk management, and drive the economy to contribute to the global environmental goals, as established in the Paris Agreement, the SDGs, and the Global Biodiversity Framework.

1 **Ensure environmental integrity,** addressing risk, opportunities, dependencies and impacts on people and planet, with a holistic environmental approach.

Policies and regulation should address both sustainability disclosure as well as sustainability-related financial disclosure, hence including risks, opportunities, dependencies, and impacts of the organization on the economy, people and planet[22,23]. Disclosure requirements should address the broad environmental spectrum, as it is not possible to tackle climate change without looking at the environment at large.

2 **Ensure consistency and interoperability of disclosure regimes across jurisdictions, building off global baseline disclosure standards.**

To allow companies to operate in a global market, it is crucial that disclosure policy and regulation adopted by different jurisdictions, as well as disclosure standards those policies rely on, are consistent and interoperable. National disclosure policies should lean on a 'building-block' approach, using the global baseline offered by the IFRS standards developed by the ISSB for capital markets and the GRI

22 In some jurisdictions, this is referred to as double materiality.
23 As agreed by 195 governments and the EU in the Global Biodiversity Framework Target 15.

Standards developed by the GSSB for broader impact disclosure[24]. Other frameworks such as the TNFD align with and build on the global baseline to provide recommendations and guidance on how to align corporate disclosure with the GBF. Frameworks such as this can inspire standards' development and the most innovative policies. Should specific regional standards and disclosure regimes be developed, such as the recent developments in the EU with the ESRS or the US with the SEC climate disclosure rule, they should build upon these global baseline standards, while addressing jurisdictional needs. This approach will ensure the interoperability of standards across different markets and jurisdictions.

3 Ensure policy consistency in disclosure requirements across policies within a single jurisdiction.

Policy coherence is essential to ensure a consistent and coordinated approach to environmental disclosure requirements within jurisdictions and avoid conflicting requirements. Policymakers should aim to foster coherence of disclosure obligations to create a unified and integrated disclosure regime. By promoting coherence within single jurisdictions, policymakers enable businesses and stakeholders to navigate the landscape of disclosure with clarity and efficiency. Coherent policies promote better transparency and drive meaningful and efficient action toward sustainability, by facilitating comparability and avoiding fragmentation.

4 Be rooted in science.

It is crucial that environmental disclosure is firmly grounded in the latest scientific evidence, to ensure it unleashes its transformative potential. Such an approach strengthens the credibility and relevance of reported data, fosters informed decision-making, and drives meaningful action to address all environmental challenges, so that policymakers can ensure companies and financial institutions operate within a credible framework aligned to global environmental goals of halting and reversing nature loss by 2030 and limiting warming to 1.5°C. This is also in line with the recommendations of the UN HLEG[25].

24 Statement-of-Intent-to-Work-Together-Towards-Comprehensive-Corporate-Reporting.pdf (sasb.org).
25 Expert Group on the Net-Zero Emissions Commitments of Non-State Entities | United Nations Secretary-General.

5 Bring in scope all businesses and financial institutions.

To facilitate a system change, it is paramount that disclosure requirements cover all private sector entities, both businesses and FIs[26]. Aligned with growing consensus, the value chains of businesses should be included to ensure that risks, opportunities, dependencies and impacts are assessed beyond direct operations[27]. An incremental approach could start from large listed companies and aim over time to include the broader economy actors. Transnational businesses must clearly state the scope of their disclosure coverage, which should include parent, subsidiary companies, and franchisees, with a clear differentiation as to which disclosures apply to which piece of the business. By expanding disclosure requirement to FIs, governments can ensure that environmental aspects within portfolios are fully covered and factored in, and sustainability information can be accessed by financial markets regulators. For SMEs, regulators might also consider an incremental approach to reduce regulatory burden at first, or indicate specific SME dedicated standards, in transitioning toward full disclosure requirements[28].

6 Include expectations on disclosure of climate, water and nature transition plans.

Governments should include robust time-bound transition plans[29] in disclosure requirements, outlining how companies and FIs will transition to business models with a 1.5°C trajectory and nature-positive outcomes[30]. These plans are essential for fostering a global economic response to challenges of climate change, nature loss, water depletion, pollution and use of resources in a credible, accountable and resilient manner. Such plans are also essential for the effective exercise of market discipline, and investors' ability to hold investee company boards and management to account that a company's business model is poised to thrive in a 1.5°C-aligned and nature-positive economy.

26 Both businesses and financial institutions (FIs), including government-linked entities such as State-Owned Enterprises (SOEs) and Sovereign Wealth Funds.

27 As for example the Global Biodiversity Framework Target 15.

28 CDP and the SME Climate Hub have developed a simplified framework to help SMEs understand and report on the most vital climate related indicators and encourage immediate climate action. Government should support the development of similar tools for broader environmental issues.

29 The plans should be underpinned by CDP's foundational principles of a credible climate transition plan which include (or at the very least reflect, Accountability, internal coherence, forward-looking, time-bound and quantitative, flexible and responsive and complete. This is outlined in detail, in CDP's climate transition plan discussion paper, CDP_technical_note_-_Climate_transition_plans.pdf. At present, this is focused on climate, but CDP has begun expanding transition planning into broader nature. For more work from CDP around transition plans, see also https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/001/430/original/CDP-technical-note-scenario-analysis.pdf?1512736385, https://cdn.cdp.net/cdp-production/cms/guidance_docs/pdfs/000/003/101/original/CDP_technical_note_-_Climate_transition_plans.pdf?1643994309.

30 "Nature positive" means that we need to halt and reverse nature loss measured from a baseline of 2020, through increasing the health, abundance, diversity and resilience of species, populations and ecosystems so that by 2030 nature is visibly and measurably on the path of recovery. Source: https://www.naturepositive.org/

Credible and appropriately detailed organizational transition plans are integrated with other disclosures and incorporate short- medium- and long-term milestones and targets, based upon credible sectoral pathways and verified by relevant science-led organisations such as SBTi, SBTN, and watershed approaches to manage risk and support collective action[31]. Targets and supporting actions should clearly outline how they will address the risks, opportunities, dependencies and impacts an organization has identified across its value chain. As such, governments should encourage companies and FIs to disclose capital, operational, and research and development expenditure plans requiring disclosure of proprietary information, and how those plans are aligned with their targets.

7 Ensure quality and reliability, and set expectations on external assurance.

Disclosure policies should require external verification. Third-party verification of the disclosed data enhances the reliability of information, instilling greater trust among stakeholders who rely on the disclosed data. Assurance over processes and governance oversight is critical to giving confidence in the completeness and accuracy of reported data. The scope of external assurance can vary from limited assurance for certain aspects to more rigorous levels as 'reasonable' or 'full' for critical areas, ensuring that disclosure policies remain up-to-date and effectively address the evolving landscape of environmental concerns and business practices. The scope of external assurance can vary from 'limited' assurance to more rigorous levels as 'reasonable' or 'full' assurance. For critical disclosure topics and metrics full external assurance should be mandated as they are developed. Especially where the materiality assessment is left to the companies, reasonable assurance of the process and the outcome of this assessment is key.

8 Provide an enforcement mechanism.

To facilitate corporate accountability and the creation of a level playing field for reporting entities, relevant authorities should put in place measures and financial resources to address non-compliance and ensure enforcement. Governments should strive to create a policy environment where non-disclosure is not allowed.

31 To note, the high-level Transition Plan Taskforce (TPT) initiative, which has a two-year mandate (2022/2023) to develop good practice for transition plans and associated innovative metrics. The TPT will take forward work to develop transition planning templates that would be suitable for incorporation into regulatory frameworks in the UK. Source: TransitionPlanTaskforce-TofR-3.pdf (transitiontaskforce.net).

As an incremental approach towards achieving comprehensive disclosure, 'comply or explain' mechanisms can serve as valuable steppingstones. These mechanisms prompt reporting entities to either comply with the disclosure requirements or provide a valid explanation for non-compliance, promoting transparency and accountability. To successfully implement regulatory requirements, relevant agencies should endeavour to develop internal expertise in the specific topics covered by the regulations.

9 Strengthen the role of corporate governance bodies.

It is vital policies address governance oversight of environmental disclosure and require disclosure on how businesses and FIs manage and assess environmental risks, opportunities, dependencies and impacts. Such information provides stakeholders with a clear understanding of the company's expertise and top-level oversight. At the same time it ensures visibility of environmental issues by the highest decision-making bodies and the inclusion of sustainability into business models and operations. Disclosure on governance should include a comprehensive description of the board and management's responsibility in overseeing disclosure, transition plans, scenario utilisation, financial planning, risk management and metrics and targets. Lastly, shareholders should be provided the opportunity to vote on transition plans via well-defined feedback mechanisms, for example through shareholder votes at annual general meetings.

10 Cultivate an environment for innovation and advancing disclosure maturity.

Regulations should not be viewed as limiting or reduced to a mere checklist; instead, they should be regarded as foundation or minimum requirement that empowers organizations to surpass expectations and pursue an iterative, more ambitious, comprehensive and impactful disclosure and action. Embracing this perspective can facilitate organizations in gaining a deeper understanding of their own business and foster a culture of continuous improvement.

CDP advocates for HQMD globally. But where do current policies stand? In the next section, we overview progress in the G20+, the state of play and opportunities for improvement.

The state of environmental disclosure in the G20+

Representing around 85% of global Gross Domestic Product (GDP), 75% of global trade and approximately 81% of global CO_2 emissions[32,33], the G20 represents a solid foundation for assessing the state of global mandatory disclosure policy and regulation.

Regulation in the G20 jurisdictions covers a significant proportion of the global economy and has the potential to drive significant impacts. As the European Union is considered in this policy brief as the central disclosure regulator for the European economy, the jurisdictions of France, Germany and Italy were not analyzed individually. Additionally, the large financial hubs of Singapore, Hong Kong and Switzerland are included in our analysis, given their significant role in shaping global capital markets, which is a critical aspect to consider when evaluating the worldwide regulatory landscape for environmental disclosure. We therefore refer to the breadth of jurisdictions assessed in this policy brief as the "G20+."

Methodology

This section details the methodological process used to classify the state of environmental disclosure in the G20+. We highlight three important points of the methodology: the scope of the analysis, the assessment of environmental policies, and their classification system.

First, the scope of the assessment comprises the most ambitious disclosure policies and regulations announced or already implemented within each jurisdiction. We identified these policies and regulations by drawing on previous publications, including CDP's 2022 Water Disclosure report[34], as well as our own desk research and consultations with policy experts.

32 About - Organisation for Economic Co-operation and Development (oecd.org).
33 G20 Carbon dioxide emissions - German Federal Statistical Office (destatis.de).
34 Setting_the_high_water_mark_for_mandatory_disclosure.pdf (cdp.net).

Second, CDP's HQMD Principles serve as guidelines to assess the state of environmental disclosure in the G20+. The assessment criteria derived from the HQMD Principles to analyse disclosure policies and regulations comprise:

- targeted stakeholder(s);
- materiality approach;
- the scope of disclosure on climate change, water security and biodiversity; and
- binding character of the disclosure (see Annex 3).

Finally, we developed a classification system for each jurisdiction and theme (climate change, water security and biodiversity). The results were ultimately translated into maps visualizing jurisdictions' progress.

Table 1: Classification system to assess environmental disclosure requirements of the most ambitious disclosure policies in a jurisdiction.

Classification	Explanation
No disclosure requirements	There is no disclosure policy and regulation, or the existing policy initiatives **do not contain** disclosure requirements or, if existing, are far from being aligned with the HQMD Principles.
Initial disclosure requirements	The most ambitious disclosure policy and regulation in the jurisdiction **promote** some environmental disclosure partially aligned with HQMD Principles.
Disclosure requirements on the rise	The most ambitious disclosure policy and regulation in the jurisdiction are **sufficiently aligned** with some HQMD Principles.
Emerging best-practice of disclosure requirements	The most ambitious disclosure policy and regulation in the jurisdiction demonstrate an **enhanced degree of alignment** with the HQMD Principles.

Trends in climate, water, and biodiversity-related disclosure policy and regulation across the G20+

An increasing number of countries and regions, including Australia, Brazil, Canada, China, the EU, India, Japan, Switzerland and the UK, have moved towards mandatory climate disclosure for businesses and FIs in the past few years. Some jurisdictions, including the EU, Brazil, India and Indonesia, have already taken important steps to expand mandatory climate disclosure to include transition-oriented or more environmentally comprehensive requirements. In the analysis across the G20+, we found most jurisdictions request a limited degree of disclosure of water and biodiversity-related information. Overall, there is still a significant gap between current practices and best practice as defined by CDP's HQMD principles. For selected case studies, please refer to Annex 2.

Over

50%

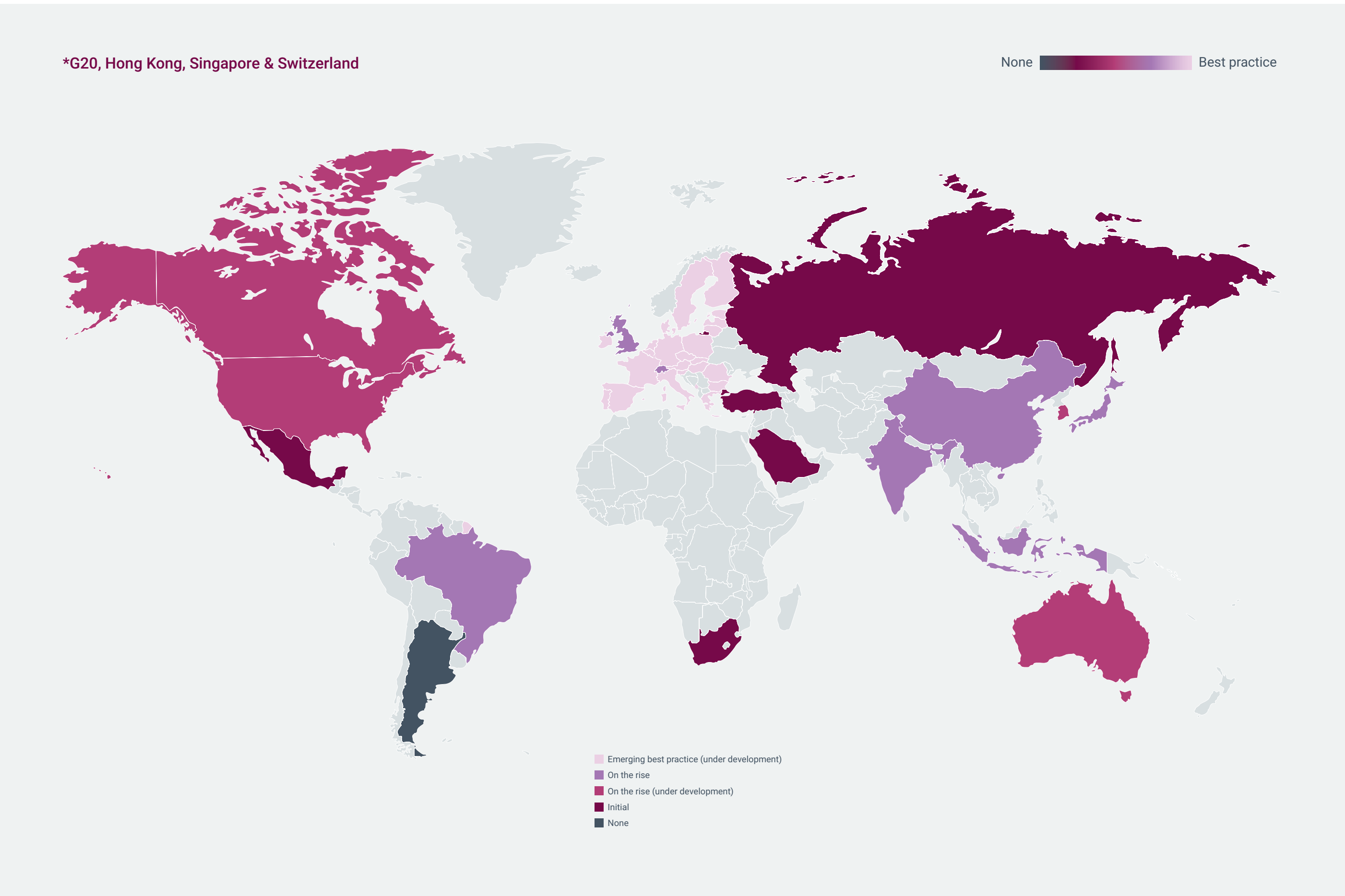
of the G20+ have climate-related disclosure requirements partially based on or fully aligned with the TCFD.

Climate

Mandatory climate-related financial disclosure is on track to become the norm across G20+ countries (see Figure 1), with this trajectory set by the publication of the TCFD recommendations in 2017. By 2023, many governments, regulators, and stock exchanges will have reflected the TCFD recommendations into laws, rules, and guidance.

Over 50% of the G20+ jusrisdictions are developing, or have already implemented, climate-related disclosure requirements partially based on or fully aligned with the TCFD[35]. Considering the developments of the IFRS S2 Standard, which relies heavily on the TCFD recommendations, we can expect broad IFRS S2 regulatory adoption.

Figure 1: Climate-related disclosure requirements in the G20+[34]



35 This research is based on data collected up to 30.06.2023 and only considers the most ambitious disclosure policies and regulations announced or already implemented within each jurisdiction. Therefore, the final mapping should be intended as purely indicative of a general trend and should not be considered exhaustive.

Approximately

40%

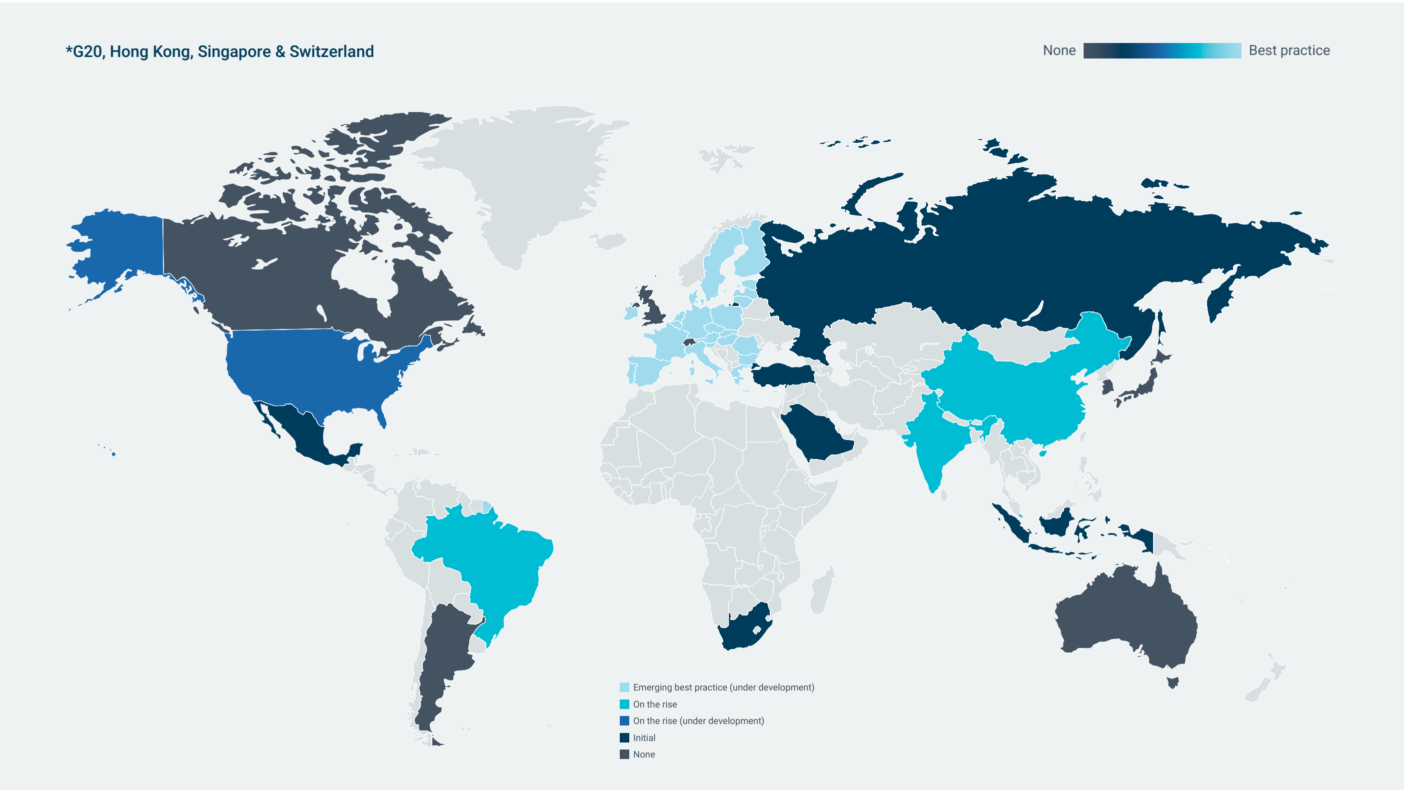
of G20+ jurisdictions have introduced or are in the process of introducing water-related disclosure requirements.

Water

Policy and regulation on water-related disclosure is gradually maturing across the G20+ (see Figure 2). Approximately 40% of G20+ jurisdictions have introduced or are in the process of introducing water-related disclosure requirements that are sufficiently aligned with some or demonstrate an enhanced degree of alignment with the HQMD Principles[36].

From the analysis, different levels of water-related disclosure requirements can be observed across G20+ jurisdictions. If material, the EU Corporate Sustainability Reporting Directive (CSRD) will require companies to provide a comprehensive disclosure, aligned with the ESRS. This disclosure will include governance, strategy and business model, dependencies, impacts, risks, and opportunities, policies, action plans, available resources, as well as targets and metrics related to water consumption. Other jurisdictions such as India require companies to disclose only a small selection of water-related data, limited to enterprise-wide water usage, discharge and intensity metrics irrespective of whether water-related risks influence enterprise value.

Figure 2: Water-related disclosure requirements in the G20+[37]



36 Jurisdictions that have implemented or are in the process of implementing regulations with water-related disclosure requirements that are sufficiently aligned with some or demonstrate an enhanced degree of alignment with the HQMD Principles: Brazil, China, India, US, EU (including France, Germany and Italy) & Singapore.

37 This research is based on data collected up to 30.06.2023 and only considers the most ambitious disclosure policies and regulations announced or already implemented within each jurisdiction. Therefore, the final mapping should be intended as purely indicative of a general trend and should not be considered exhaustive.

Water-related disclosure requirements across the G20+ remain highly patchy and incomplete. In the absence of detailed disclosures inclusive of water quantity, quality, and interlinkages with impacts and dependencies on ecosystems, the existing disclosure requirements, which mostly focus on water efficiency and intensity indicators, are not sufficient to ensure environmental integrity. In fact, they do not inform data users if the regulated entity is reducing its impacts and dependencies on water and related environmental realms, and thus provide limited insights on the contextual impacts from withdrawals and pollution in a watershed, including the management of the water they consume.

In some countries, such as the US, the scope of water reporting is limited to climate-related water risks, hampering a realistic evaluation of water-related risks, opportunities, dependencies and impacts. In countries such as India and South Africa, regulators distinguish between voluntary and compulsory indicators within disclosures, making comparing cross-jurisdiction corporate data even more challenging. With the exception of the EU, all the other disclosure regulations in G20+ jurisdictions neglect to consider water-related impacts and risks of corporate value chains. Such limitations restrict the creation of a potential level playing field for companies and makes it difficult for FIs to gather consistent, comparable, and decision-useful data needed to effectively price-in and manage water risks.

Several disclosure regulations request qualitative and capital expenditure information related to prevention, remediation and conservation activities.

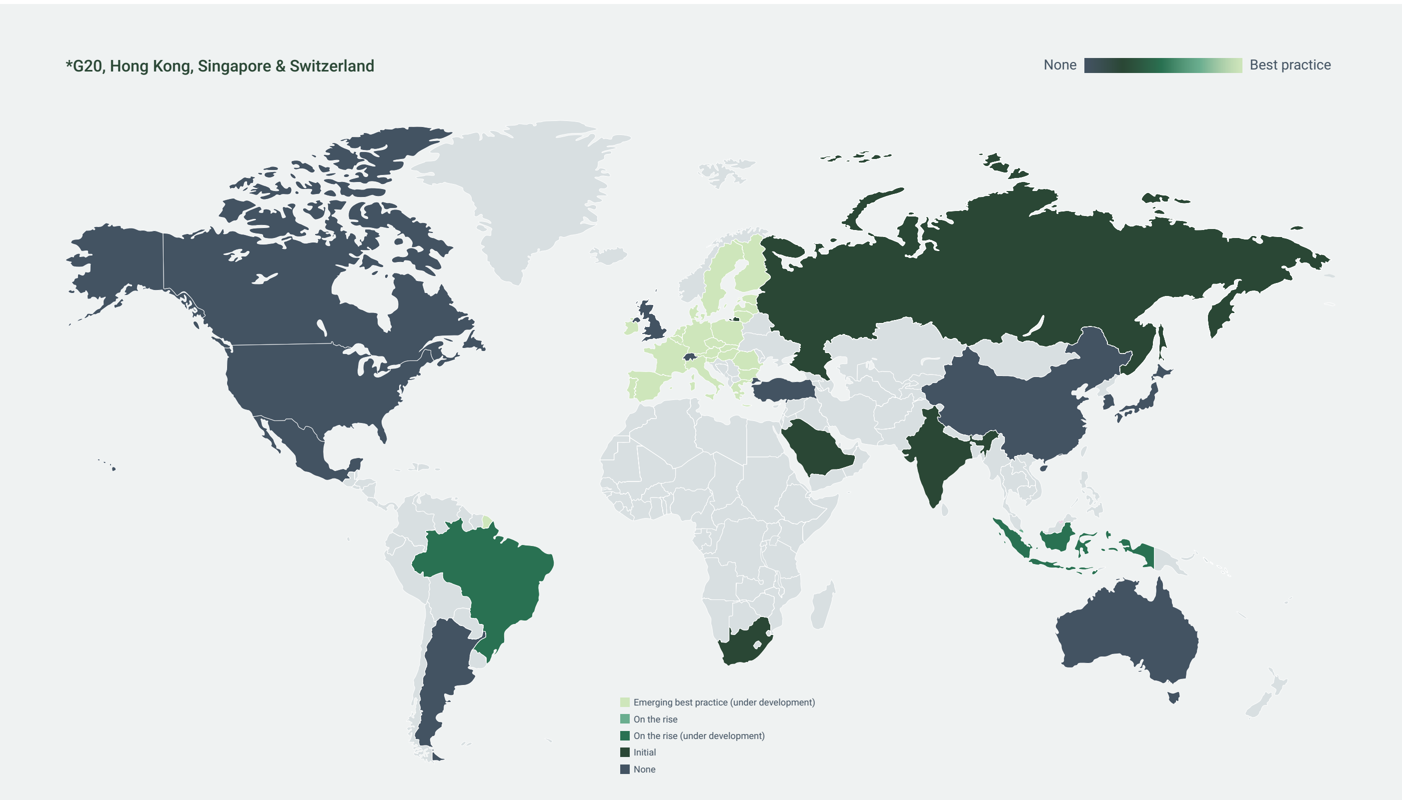
Biodiversity

Biodiversity-related disclosure across the G20+ is in its infancy (see Figure 3). Only four jurisdictions, namely Brazil, the EU, Indonesia and Singapore, have biodiversity-related disclosure requirements that are sufficiently aligned with some or demonstrate an enhanced degree of alignment with the HQMD Principles.

Policymakers and financial market regulators are increasingly acknowledging biodiversity loss as a critical issue to address. Existing biodiversity disclosure requirements tend to follow a risk-based approach, focusing on requiring disclosure of business operations near "ecologically sensitive" or "key biodiversity areas".

Some disclosure policies request qualitative information related to prevention, remediation and conservation activities. Often the disclosure of impacts relies on indirect indicators such as compliance with environmental laws, the consumption volumes of certain natural resources, and the surface of land use.

Figure 3: Biodiversity-related disclosure requirements in the G20+[38]



38 This research is based on data collected up to 30.06.2023 and only considers the most ambitious disclosure policies and regulations announced or already implemented within each jurisdiction. Therefore, the final mapping should be intended as purely indicative of a general trend and should not be considered exhaustive.

Compared to the EU CSRD, disclosure requirements related to biodiversity in other G20+ jurisdictions are not comprehensive, missing specific indicators and metrics. The lack of clarity and consensus on biodiversity indicators and metrics globally partially explains the rarity of disclosure requirements in non-EU countries. Organisations such as TNFD and SBTN are working on establishing clarity and consensus on these issues, developing directions on essential topics as corporate governance, strategy, risk management, targets, and transition plans.

Disclosure policies often lack a clear definition for biodiversity and associated risks and dependencies, frequently using terms such as "ecosystems", "natural resources" or "flora and fauna" interchangebly. While businesses are sometimes required to assess and disclose their operations' impact on biodiversity, they seldom demand disclosure of businesses' dependencies on biodiversity, the risks to their operations, or potential opportunities. Aside from a few exceptions, supply chains are overlooked, and requirements for disclosing transition plans are notably missing.

Plastic-related disclosure in the G20+ and upcoming trends

There is a significant gap in policy requiring disclosure of plastic-related information. Disclosure on strategy, governance, risk management, as well as targets, is only rarely covered by policy and regulation in the G20+ jurisdictions. Disclosure extending into supply chains and covering transition plans to a circular economy is also generally neglected.

Upcoming legislative developments across the G20+ signal an encouraging shift toward high-quality mandatory plastic-related disclosure. The EU's CSRD and underlying ESRS have emerged as leaders. The development of the Global Plastics Treaty is another encouraging sign for the plastic policy landscape. It is anticipated that globally recognized guidance on a broad range of plastic-related policy, including on high-quality mandatory plastic-related disclosure, will be available by the end of 2024. This will catalyse treaty-aligned, harmonized and standardized national laws across the G20+ and beyond.

The current lack of harmonized and consistent plastic-related disclosure policy across the G20+ presents a significant evidence and data gap. Future policy and the Global Plastics Treaty present a positive trajectory, but greater ambition on plastic-related disclosure is required.

Key learnings in the journey towards high-quality mandatory disclosure

In various jurisdictions, disclosure requirements start with an emphasis on climate. **There are early indications that policymakers and financial regulators are extending the reach of climate-related disclosure regulations to encompass other environmental impacts, dependencies, risks and opportunities.** This incremental approach is characterized by three elements.

First, environmental disclosure requirements beyond climate often start with a limited scope, such as only direct operations, and applying only to specific sectors and large or listed companies, with the aim to progressively cover the broader economy. Examples of this approach include India's Business Responsibility and Sustainability Reporting (BRSR), Indonesia's Financial Services Authority (OJK) Rule No. 51, and the EU's Non-Financial Reporting Directive (the directive preceeding the CSRD)[39].

Second, policymakers often introduce high-level and limited qualitative disclosure requirements, with plans to mandate more detailed and comprehensive indicators in the future. The gradual introduction of different building blocks of a disclosure system can be seen in Brazil's Resolution BCB 139.

Finally, disclosure requirements are initially based on a 'comply-or-explain' basis, serving as a stepping stone to make disclosure of selected metrics mandatory over time. This trend is visible in the expected tightening of climate disclosure rules in the Hong Kong Stock Exchange, which are expected to be applied to broader environmental impacts in the future.

Current disclosure requirements for plastics and biodiversity trail behind those for water and, especially, climate. There are considerable discrepancies in disclosure requirements across jurisdictions, as well as gaps in definition, comparability, accessibility, and assurance of the disclosed information that need to be addressed by policymakers and regulators.

39 https://www.europarl.europa.eu/RegData/etudes/BRIE/2021/654213/EPRS_BRI(2021)654213_EN.pdf

72

stock exchanges globally have developed ESG guidance for issuers. To keep pace with the changing global policy landscape, stock exchanges must innovate and provide more detailed guidance to bring nature-related reporting to the level of climate reporting.

As it stands, non-climate environmental disclosure provisions:

- impede investors to price-in nature-related risks;
- prevent the integration of an entity's full environmental impacts into financial decision-making;
- do not safeguard against financial instability; and
- cannot sufficiently address the scale of global or regional environmental challenges.

A general lack in data assurance provisions across the G20+ regulations impairs the quality and usefulness of disclosed information. Assurance of sustainability information is critical for capital market actors and governments, who rely on high-quality data. Enhanced data quality through assurance allows businesses also to continuously improve their environmental monitoring and reporting and facilitates greater credibility among stakeholders[40].

Stock exchanges can be a major driver in accelerating the transformation towards more holistic environmental disclosure. By crafting guidance and rules, stock exchanges can assist companies to navigate emerging sustainability-related disclosure expectations and regulations[41]. Exchanges should also ensure that their guidance and rules complement and build upon those that financial regulators issue in the same jurisdiction.

Stock exchanges are historically central to the development and adoption of public environmental disclosure regulations, such as the Sao Paolo Stock Exchange (B3, at the time Bovespa) that requested disclosure on a 'comply or explain' basis in 2011[42], and the Singapore Exchange (SGX)'s introduction of sustainability reporting requirements on a 'comply or explain' basis in 2016. In 2022, the Monetary Authority of Singapore (MAS) built on this progress, introducing disclosure and reporting requirements for ESG funds.

Today, 72 stock exchanges globally have developed ESG guidance for issuers. To keep pace with the changing global policy landscape, stock exchanges must innovate and provide more detailed guidance to take nature-related reporting to the level of climate reporting. Importantly, leading stock exchanges should progress beyond guidance to set rules for holistic environmental disclosure. Organisations like the United Nations Sustainable Stock Exchange Initiative (UNSSEI) are well-equipped to build capacity and foster alignment between stock exchanges towards environmental disclosure best practice.

40 CDP_Verification_White_Paper.pdf
41 PowerPoint Presentation (sseinitiative.org)
42 https://www.b3.com.br/data/files/48/F2/28/76/CFF606107D0F9606790D8AA8/Level-1-Listing-Regulation.pdf

CDP's role in driving progress towards HQMD

CDP is the most comprehensive repository of self-reported non-state actor environmental data in the world, with nearly 20,000 entities disclosing in 2022 alone – marking a consistent 40% increase year on year since 2021.

This includes more than 18,700 companies, representing over half of global market capitalization. However, despite such broad coverage, CDP's disclosure mechanism only includes a fraction of global businesses. Moreover, the quality of the data reported through CDP is highly varied. Thus, it is critical to move towards mandatory environmental disclosure. The following section evaluates disclosure practice using evidence derived from CDP data. Insights gleaned from CDP data present a significant opportunity for policymakers. By understanding shortcomings and leveraging leadership and best practices, they can develop, refine and implement policies rooted in solid evidence.

Market preparedness for holistic disclosure regulations

18,600+

companies disclosed their climate-related data through CDP, compared to

13,000+

in 2021.

Climate change

Over two decades since CDP pioneered corporate environmental disclosure, climate-related disclosure has become the norm. Fully aligned with the TCFD and soon to integrate the IFRS S2 climate standard, CDP's disclosure platform supports companies to prepare for upcoming regulation and disclosing against the most high-quality, impactful frameworks and standards.

In 2022, more than 18,600 companies disclosed their climate-related data through CDP, compared to 13,000+ in 2021. Of these, 68% had a process for identifying, assessing, and managing climate-related risks and opportunities. Moreover, 74% identified climate-related risks and opportunities. These figures suggest an increasing number of companies are prioritizing climate-related issues and disclosing how these impact their business and financial planning.

Only

41%

report emissions for at least one Scope 3 category – a concerning figure given average emissions for Scope 3 are

11.4x

times greater on average than operational emissions.

This readiness for disclosure to investors underlines the need for comprehensive, high-quality, and comparable corporate environmental data. CDP has seen growth in disclosures on emissions across the value chain – globally, 72% of companies report operational emissions (ie Scopes 1 and 2), and 39% engage their suppliers on climate-related issues across the supply chain.

However, to maintain progress at pace and scale towards a 1.5°C future, greater action in this critical decade is needed. Only 41% report emissions for at least one Scope 3 category – a concerning figure given average emissions for Scope 3 are 11.4 times greater on average than operational emissions.

Despite clear progress towards alignment with the TCFD recommendations, only about 14% of companies currently provide fully aligned disclosures. Furthermore, in 2022, less than 1% of disclosing companies had in place a credible, 1.5°C-aligned transition plan[43]. CDP is tackling this low figure by offering detailed guidance to companies on how to achieve a 1.5°C aligned transition plan, paving the way towards more holistic plans capturing broader risks, opportunities, and nature impacts. So far, 4,100 companies have announced that they will develop a transion plan within the next two years.

4,100

companies have announced that they will develop a transion plan within the next two years.

43 CDP-Technical-Note-FS-Transition-Plans-and-Net-Zero-Commitments.pdf.

In 2021,

98%

of all (3,370) respondents were able to disclose whether they were exposed to substantial water-related risks and opportunities.

89%

of respondents were able to disclose data on total volumes of water withdrawn, discharged, and consumed across all operations.

Water security

CDP's disclosure platform shows voluntary corporate disclosure of water-related data is becoming increasingly common, proving that mandating such disclosure would not present a regulatory burden for the thousands of companies are already taking action.

CDP has been operating the world's only global corporate water disclosure mechanism since 2009. Since then, voluntary water disclosure through CDP has increased substantially, from just 176 companies in 2010 to 3,908 in 2022, marking an average yearly increase rate of 19% over the last five years.

In 2021, a striking 98% of all (3,370) respondents were able to disclose whether they were exposed to substantial water-related risks and opportunities. Encouragingly, 89% of respondents were able to disclose data on total volumes of water withdrawn, discharged and consumed across all operations.

The majority of respondents were proactive in incorporating water-related issues into their governance and strategy, with 98% disclosing board oversight on these matters, and as many confirming that water-related issues were integrated into and influenced their business strategy. Finally, 97% of respondents were able to to share information on whether they had set water-related targets, as well as data associated with target quantitative metrics, baselines, start and target years, and the percentage of targets achieved.

98%

of respondents disclosed board oversight, confirming that water-related issues were integrated into and influenced their business strategy.

>87%

of the companies (7,700) who received the first biodiversity related questions from CDP in 2022 chose to respond.

Biodiversity and forests

CDP holds the largest ever assessment of self-reported biodiversity data, which shows companies are ready to disclose.

Data disclosed through CDP in 2022 shows many companies are transitioning towards nature-positive business models. Of the 8,850+ companies who received the biodiversity-related questions, more than 7,700 (87%) chose to respond, as CDP collected biodiversity data for the first time. Remarkably, around a third of companies already report voluntarily on their biodiversity performance. Over half (58%) of reporting companies already have established or plan to establish board-level oversight and/or executive management-level responsibility for biodiversity-related matters in the coming two years. Additionally, 31% of companies have made a public commitment and/or endorsed biodiversity-related initiatives, and another 25% plan to do so within the next two years. In addition, 54% of reporting companies either currently assess their value chain impacts on biodiversity or will do so in the coming two years.

A record number of companies now disclose on their progress towards eradicating deforestation through CDP, signalling that forest-related disclosure is becoming an increasingly established practice.

In 2022, 1,043 companies reported through CDP on their management of deforestation – an almost 300% increase on 2017. As a result, corporate performance towards eradicating deforestation is becoming increasingly transparent, and CDP now holds the most comprehensive, standardized dataset on corporate exposure to deforestation risks and how they are managed.

1,043

companies reported through CDP on their management of deforestation in 2022 – an almost 300% increase on 2017.

Tracking non-state actor progress towards environmental disclosure policy and regulation

There is an urgent and growing need for environmental data through CDP's voluntary disclosure system among policymakers, FIs, businesses and other stakeholders. This need arises from the increasing economic and social demands for this data, reinforcing the imperative to mandate holistic environmental disclosure.

CDPs engagement with FIs, businesses and other stakeholders has significantly bolstered the market demand for holistic environmental data. Over the years, an increasing number of FIs, businesses and other stakeholders have requested, gained access to, and are using environmental data from companies disclosed through CDPs voluntary system for their decision-making processes, indicating a clear market demand that supports the case for mandated disclosure.

In 2023,

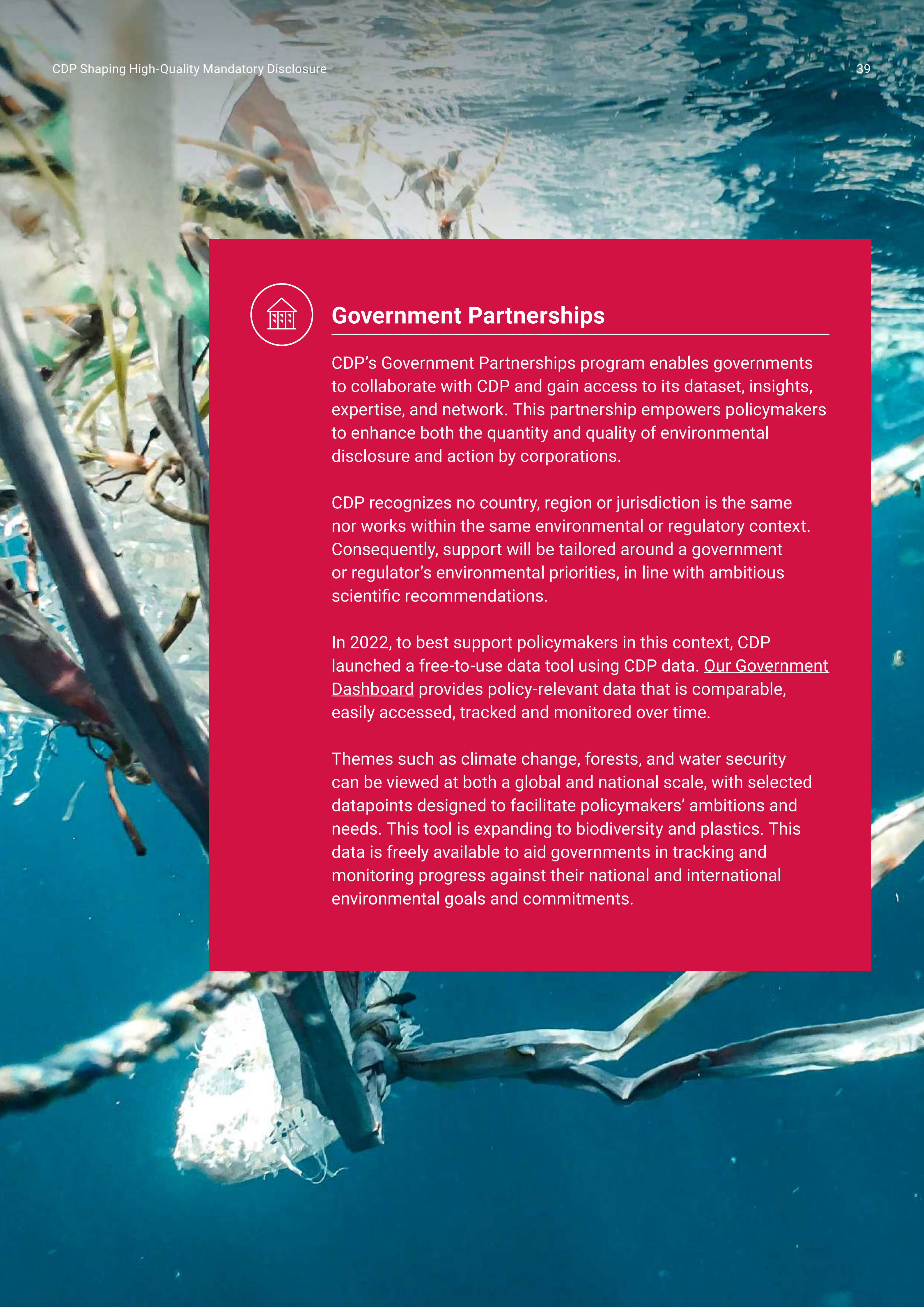
> 746 Investors and banks **10%**

managing over **US$136 trillion** in assets, are asking companies to share their environmental data through CDP. This represents a 10% increase in participation from FIs compared to 2022. These investors and banks can access companies' responses and integrate the obtained data and insights into their own investment processes.

Additionally, through CDP's Supply Chain program,

> 280 businesses **73%**

representing **US$6.4 trillion** of purchasing power, requested environmental data disclosure from more than **40,000** suppliers in 2022. This represents a substantial 73% increase in disclosure requests compared to the previous year. Access to this data allows businesses to engage with their suppliers and identify potential risks and opportunities. Members of CDPs Supply Chain programme use this resource to set and achieve their science-based targets, alongside plastic, zero deforestation and water security targets.



Government Partnerships

CDP's Government Partnerships program enables governments to collaborate with CDP and gain access to its dataset, insights, expertise, and network. This partnership empowers policymakers to enhance both the quantity and quality of environmental disclosure and action by corporations.

CDP recognizes no country, region or jurisdiction is the same nor works within the same environmental or regulatory context. Consequently, support will be tailored around a government or regulator's environmental priorities, in line with ambitious scientific recommendations.

In 2022, to best support policymakers in this context, CDP launched a free-to-use data tool using CDP data. Our Government Dashboard provides policy-relevant data that is comparable, easily accessed, tracked and monitored over time.

Themes such as climate change, forests, and water security can be viewed at both a global and national scale, with selected datapoints designed to facilitate policymakers' ambitions and needs. This tool is expanding to biodiversity and plastics. This data is freely available to aid governments in tracking and monitoring progress against their national and international environmental goals and commitments.

Conclusion

While recognizing the pivotal role environmental disclosure plays laying the ground for taking much-needed action towards a sustainable future, it is clear that voluntary disclosure alone presents inherent limitations.

Policy intervention through mandatory disclosure is essential to increase the ambition, scope, and depth of environmental disclosure and catalyze its full transformational potential.

CDP's HQMD Principles reflect the reality of the global environmental landscape. As seen from the mapping of environmental disclosure across the G20+, there are already a variety of existing practices and regulation. Policymakers can draw upon these to implement the HQMD Principles.

In the journey towards robust disclosure policy and regulation, policymakers will encounter critical phases, from the assessment of the policy landscape, to the design, implementation, enforcement and monitoring. The journey towards robust disclosure policies is marked by these phases, building upon lessons learned in recent years by leading governments. Members of Group of Friends of Paragraph 47, who provided strong impetus to the agenda as well as capacity building to take like-minded governments on the journey towards environmental disclosure policy and regulation.

Environmental integrity is an urgent priority: while there is significant momentum on climate-related disclosures, it is critical to expand to other environmental aspects, including water security and biodiversity. In parallel, policymakers must ensure coherence through the integration of frameworks that encompass a broad and holistic range of environmental issues, to ensure consistency of disclosure. Furthermore, policy and regulation must require disclosure covering risks, opportunities, impacts and dependencies on both people and planet.

CDP urges policy makers and financial markets regulators to **embrace the HQMD Principles in policy and regulation** to enable a conducive policy environment for the economy and contributing to the global environmental agenda.

Annex 1: Comparison ISSB IFRS, EFRAG ESRS & SEC

	EFRAG	ISSB	SEC
Scope of application	Broad range of listed and private EU companies, and non-EU companies with significant operations in the EU.	Determined by individual jurisdictions.	Nearly all US SEC registrants, including foreign private issuers.
Topics in scope	Proposed standards span a broad list of environmental, social, and governance topics.	Finalized standards address climate and other sustainability-related risks.	Proposed rule addresses climate-related risks.
Materiality	Financial impacts and impacts on people & planet.	Financial impacts.	Financial impacts.
Climate-related disclosure[44]			
Disclosure of Scope 1 and 2 GHG emissions	Yes, if material.	Yes, if material.	Yes
Disclosure of Scope 3 GHG emissions	Yes, if material.	Yes, if material.	Yes, if material or included in targets.
Intensity metrics	Yes, based on net revenue for the total of Scope 1, 2 and 3 emissions.	Companies are required to report any metrics relevant to them from consideration of sources, including the industry-based guidance which contains some intensity metrics.	Yes, based on revenue and a unit of production for the total of Scopes 1 and 2, and separately for Scope 3 (if included).
Disclosure of GHG emission targets	Yes, if used, as of prescribed dates and in alignment with the Paris agreement.	Yes, if used. Targets should be informed by the “latest international agreement on climate change”.	Yes, if used. Targets or goals would include those set in response to regulatory requirements or climate-related treaty or law.
Transition plans	Yes and in alignment with the Paris Agreement.	Yes	Yes
Scenario analysis	The use of scenario analysis would be required to assess resilience.	The use of scenario analysis would be required to assess resilience.	Any means could be used to assess resilience.
	Scenario analysis would need to be consistent with the Paris Agreement target of limiting climate change to 1.5°C.	The proposal does not require consideration of specific scenarios.	The proposal does not require consideration of specific scenarios.

44 Since ISSB and SEC have not proposed non-climate environmental standards, the following section compares only climate-related disclosure.

Annex 2: Case studies

European Union (EU)

In order to become a net-zero economy by 2050 and to recover biodiversity by 2030, the EU is leading the regulatory space with the Corporate Sustainability Reporting Directive (CSRD), which entered into force on December 14, 2022[45].

The CSRD requires companies in scope to disclose their plans to ensure that their business model and strategy are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C in line with the Paris Agreement and the objective of achieving climate neutrality by 2050 as established in the European Climate Law[46].

The CSRD sets out rules requiring all large companies and all listed companies (except listed micro-enterprises) as well as non-EU companies[47] to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment.

The ESRS, developed by EFRAG and mandated under the CSRD, specify the information that companies disclose on all major environmental factors. This includes their impacts and dependencies on climate, air, land, water and biodiversity as per the environmental objectives of the European Union enacted in the EU Taxonomy Regulation.

The proposed ESRS comprise 10 standards for different environmental, social and governance topics, as well as general requirements and disclosures (ESRS 1 and 2). The ESRS request relevant companies for example to disclose transition plans on biodiversity and ecosystems, as well as for climate change mitigation.

45 CDP_Policy_Explainer_CSRD_ESRS.pdf
46 CDP_Policy_Explainer_CSRD_ESRS.pdf
47 See more detail on scoep on page 3 and 4 in CDP_Policy_Explainer_CSRD_ESRS.pdf

Transition plans on biodiversity and ecosystems should lay out how the entity's business model and strategy are compatible with planetary boundaries and relevant targets as part of the EU Biodiversity Strategy for 2030. Climate change transition plans should lay out targets and actions for an entity's transition towards a lower-carbon economy, including actions such as reducing its GHG emissions and with the objective of limiting climate change to 1.5°C and climate neutrality. Where an eligible company does not have a transition plan in place, ESRS requests that it indicates whether and, if so, when it will adopt a transition plan.

Combined with the ESRS[48], the CSRD represents a significant step towards mainstreaming sustainability reporting and ensuring companies take a holistic approach to reporting.

This regulatory innovation acknowledges the importance of expanding reporting obligations beyond climate, and encourages companies to embed nature-related considerations, such as biodiversity and water impacts into their core business strategies and operations.

The following table outlines the additional and specific pillars of disclosure requirements for water (E3) and biodiversity (E4). Please refer to Annex I for more detailed information.

Topical environmental standards	Pillars of disclosure requirements
ESRS E3: Water & Marine Resources	Governance, material impacts, risks and opportunities and their interaction with strategy and business model, process to identify and assess material impacts, risks and opportunities, policies, actions, targets, water consumption performance metrics, anticipated financial effects.
ESRS E4: Biodiversity & Ecosystems	Governance, process to identify and assess material impacts, risks and opportunities, material impacts, risks and opportunities and their interaction with strategy and business model, policies, actions and resources, targets, transition plans, impact metrics, anticipated financial effects.

If material, regulated entities are required to disclose their transition plan for climate change mitigation and can voluntarily disclose their transition plan for biodiversity and ecosystems.

48 090166e5fce81f07 (6).pdf (adoption by European Commission expected in August 2023).

India

Under its Business Responsibility and Sustainability Report (BRSR) regulation, the Securities and Exchange Board of India (SEBI) requires the top 1,000 listed companies by market capitalization to disclose on a set of sustainability parameters.

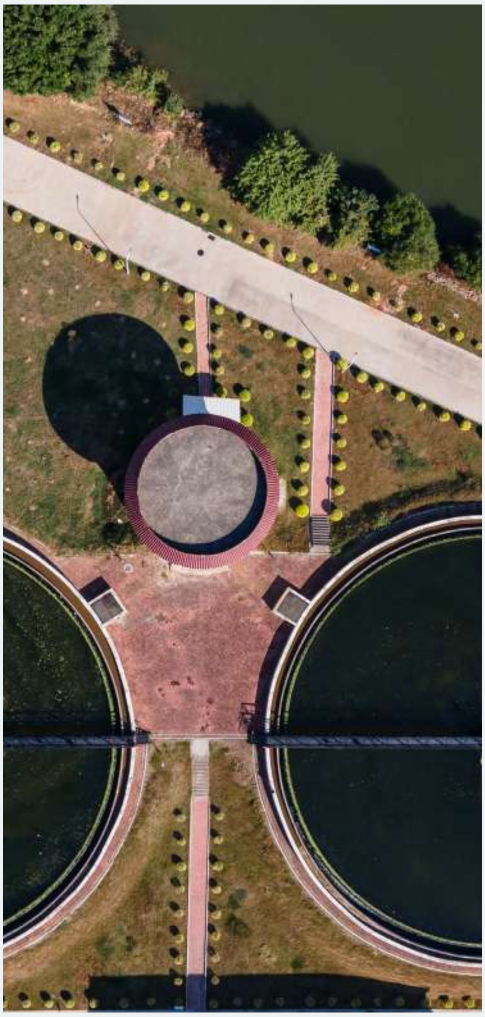
Reporting indicators are divided into essential (mandatory) and leadership (voluntary) indicators. Mandatory indicators comprise several climate-related data points (ie energy consumption and intensity, as well as Scope 1 and 2 GHG emissions); some water-related data points (ie enterprise-wide water usage, discharge and intensity metrics); and only indirect biodiversity-related data points (ie location and type of business operation, their legality in/around ecologically sensitive areas, and overview information of Environmental Impact Assessments (EIAs) undertaken).

The voluntary leadership indicators provide more granularity and comprise Scope 3 emissions and details of water discharged and withdrawn, consumed and discharged in areas of water stress. Companies can also voluntarily disclose significant direct and indirect impacts of the entity on biodiversity in ecologically sensitive areas, along with prevention and remediation activities. The BRSR does not outline which indicators and metrics should be used for biodiversity reporting.

Indonesia

Regulation 51/POJK.03/2017 by the Indonesian Financial Authority (OJK) requires listed businesses and FIs to report on basic climate and biodiversity-related information.

Climate reporting requirements include energy consumption and GHG emissions while the basic biodiversity requirements focus on operational activities and areas impacted. OJK Circular Letter No. 16, a clarifying guidance document of Regulation 51/POJK.03/2017, also encourages listed businesses to report on water.



China

China's Measures for Legal Disclosure of Enterprise Environmental Information requires listed businesses that were subject to certain environmental penalties in the previous year to disclose information on CO_2 emissions and water pollution and management.

Biodiversity-related disclosure is not explicitly addressed and only indirectly approached by requiring information on compliance with ecological and environmental laws. Importantly, in 2022, the public-private China Enterprise Reform and Development Society (CERDS) released The Guidance for Enterprise ESG Disclosure. This is the first China-focused ESG disclosure standard promoted by Chinese state authorities. While voluntary, the guidance provides a foundation for future regulatory development, addressing climate, water and some very limited aspects of biodiversity-related disclosure.

Asia

Brazil

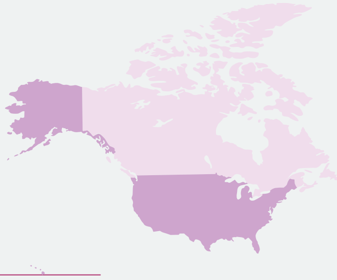
Several regulatory bodies are involved in shaping environmental disclosure requirements in Brazil. The Central Bank of Brazil's Resolution 139 introduced reporting requirements on social, environmental and climate risks by regulated institutions.

Importantly, the resolution adopts a holistic definition of environmental risk that includes climate, water and biodiversity. Where such environmental risks are financially material, reporting is required of regulated institutions on their governance, strategy, risk management, metrics and targets.

Other regulatory bodies in Brazil have taken more limited approaches to environmental disclosure. Circular No. 666 from Brazil´s Superintendence of Private Insurance (SUSEP) requires that insurance companies or open private pension entities disclose their sustainability risk management but fails to outline specific indicators.

Lastly, the Brazilian Securities Commission (CVM) introduced Resolution No. 59, requiring listed businesses to disclose climate-related information, such as GHG emissions, on a 'comply or explain' basis.

Latin America



United States

The US has two proposed rules on climate-related disclosures via the Securities and Exchange Commission (SEC) and the Federal Acquisition Regulation (FAR).

The SEC, if approved, would notably impact all publicly registered companies in the US, requiring them to include climate-related disclosures relatively in-line with the GHG Protocol and TCFD recommendations (ie Scopes 1-3 and transition plans). The rule includes specific considerations along Scope 3, enterprise size, and safe-harbour for forward-looking statements. The rule launched by the FAR Council (detailed below) would impact all federal contractors and is aligned to the Biden-Harris Administration's Federal Buy Clean Initiative. As the world's largest purchaser, the policy would directly impact the entire US government's supply chain by requiring disclosure through CDP, reporting climate-related risks and opportunities as aligned with the TCFD, and verified targets through the Science Based Targets initiative (SBTi). Both rules were developed in consultation or with direct input from CDP. Neither rule directly addresses water security or biodiversity outside of the related questions within the CDP Climate Change Questionnaire, which is the required disclosure platform for the FAR rule and is cited within the SEC climate-related disclosure rule.

Federal contractors		**Federal supplier climate risks and resilience proposed rule requirements**		
Segment	Annual Federal Obligations	Scope 1, Scope 2, and relevant categories of Scope 3 emissions in alignment with the GHG Protocol Corporate Standard.	Climate Risks assessed in alignment with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).	Emissions reduction target validated by the Science Based Targets Initiative (SBTi).
Major Contractors	>$50M	**Yes (through CDP)**	**Yes (through CDP**)	Yes (through SBTi)
Significant Contractors	>$7.5M-$50M	Yes (through CDP - Scope 1 and Scope 2 only).	No	No
Other Contractors	<$7.5M	No	No	No

North America

Annex 3: Assessment of most ambitious disclosure policies and regulations in the G20+

*CDP uses the following definitions regarding the binding character of the disclosure:

- **Mandatory:** a policy that:
  a. requires recipients to mandatorily comply with it, providing corporate environmental-related information or requires recipients to explain the reasons for not complying with it, providing corporate environmental-related information; **and**
  b. is binding and enforceable against recipients, irrespective of the legal source of such enforceability.
- **Non-mandatory:** a policy that:
  a. identifies criteria for the disclosure of environmental information; but
  b. it is not mandatory, encouraging recipients to provide information on environmental issues only on a voluntary basis.

Jurisdiction	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach	Theme	(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Theme	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)
Argentina	Resolution CNV 622/2013	The National Securities Commission introduced voluntary environmental disclosure.	Listed businesses (except for SMEs) and listed FIs	National Securities Commission (CNV)	Not specified	CC	Only generic references on environmental issues.	N/A	Published	Comply-or-explain approach for corporate governance disclosure. No assurance required.	CC	No disclosure requirements
						WS		N/A			WS	No disclosure requirements
						BD		N/A			BD	No disclosure requirements
Australia	Climate-related financial disclosure	Governmental commitment to introduce disclosure regulation.	Large, listed businesses and FIs	Under development	Financial risks	CC	Reporting requirements are envisioned to align with the disclosure framework recommended by TCFD and to reflect the climate disclosure standard currently being developed by the International Sustainability Standards Board ("ISSB").	Mandatory	Under development	In December 2022, the Australian Treasury issued its Climate-Related Financial Disclosure Consultation Paper, inviting submissions on the design and implementation of standardised, internationally aligned requirements for the disclosure of climate-related financial risks. Consultation period closed 02/2023. Reporting likely commences for covered entities FY2024-2025.	CC	Disclosure requirements on the rise (under development)
						WS	N/A	N/A			WS	No disclosure requirements
						BD	N/A	N/A				
	Prudential practice guide CPG 229 climate changefinancial risks	CPG 229 supports compliance with APRA's existing risk management and governance requirements and provides guidance to assist an institution to manage climate risks.	Banks, insurers, and superannuation funds	Australian Prudential Regulatory Authority (APRA)	Financial risks	CC	APRA considers it better practice for any disclosures to be produced in line with the framework established by the TCFD.	Mandatory	Published	Although the Prudential Practice Guide by APRA does not impose new regulatory requirements or obligations, APRA is using this guide to clarify how existing risk management/prudential practice requirements apply to climate change. This strengthens the mandatory nature of the climate disclosure requirement.		
						WS	N/A	N/A				
						BD	N/A	N/A			BD	No disclosure requirements
Brazil	Resolution 139 BCB	Resolution 139 BCB covers the reporting on social, environmental and climate risks and came into force in 2022. An updated environmental risk definition was provided in 2021 by Resolution CMN 4.943. Normative Order 153/2021 outlines mandatory and voluntary reporting requirement.	FIs	Central Bank of Brazil (BCB)	Financial risks	CC	Captured under climate and environmental risks. Report on Social, Environmental and Climate-related Risks and Opportunities (GRSAC Report) must contain information on governance of the management of the risks, relevant real and potential impacts of the risks on the business- and risk strategies, as well as on capital management, and risk management processes. Optional disclosure in the GRASC Report comprises quantitative indicators used in the management of the risks and business opportunities. Environmental business opportunities to consider comprise the preservation and repair of the environment, including its recovery. Climate business opportunities comprise the transition to a low-carbon economy and the reduction of impacts caused by frequent and severe weather or by long-term environmental alterations.	Mandatory	Implemented	Updated environmental risk definition (Resolution CMN 4.943) comprises (i) potential financial losses to an institution caused by the events associated with the degradation of the environment, incl. excessive use of natural resources; (ii) irregular, illegal or criminal conduct or activity against flora and fauna, incl. deforestation or destruction of biodiversity; (iii) irregular, illegal or criminal exercise of mining activities, in relation to the degradation of the environment. Phase 1, launched in 2021, addresses qualitative aspects related to governance, strategy, and risk management; Phase 2, scheduled for 2022, will address quantitative aspects like metrics and targets. BCB announced to develop another Normative Order to provide for more quantitative metrics & targets on environmental risks. However, this process appears currently to be on hold and BCB is searching for technical experts to develop quantitative targets & metrics for biodiversity. No assurance specified.	CC	Disclosure requirements on the rise
						WS	Explicitly captured under environmental risks. Disclosure requirements are TCFD-guided and comprise qualitative indicators on governance, strategy, and risk management.	Mandatory				
						BD		Mandatory				
	CVM resolution No. 59	In 2021, the Brazilian Securities Commission (CVM) introduced ESG information disclosure criteria.	Listed businesses	Brazilian Securities Commission (CVM)	Financial risks	CC	TCFD-guided information requirements, incl. disclosure of GHG emissions. Disclosure based on a comply-or-explain approach.	Mandatory	Implemented	Broad reference to non-climate environmental aspects regarding the consideration of UN SDGs. In December 2021, CVM amended its rules — effective January 2, 2023 — to BDrequire securities issuers to indicate (i) whether they disclose ESG information in their annual reports or other specific documents; (ii) whether the report or document considers the TCFD recommendations or recommendations for financial disclosures from other recognized entities; and (iii) an explanation if the securities issuers have not adopted the TCFD recommendations or ones from other recognized entities.	WS	Disclosure requirements on the rise
						WS	N/A	N/A				
						BD	N/A	N/A				

49 "Mandatory" means a policy that: (i) requires recipients to mandatory comply with it providing corporate environmental-related information and/or requires recipients to explain the reasons for not complying with it providing corporate environmental-related information; and (ii) is binding and enforceable against recipients irrespective the legal source of such enforceability.

50 "Non-mandatory" means a policy that: (i) identifies criteria for the disclosure of environmental information; but (ii) it is not mandatory, encouraging recipients to provide information on environmental issues only on a voluntary basis.

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)	
	Susep circular No. 666	In 2022, the Superintendence of Private Insurance (Susep) published Circular No. 666, which covers sustainability disclosure requirements. An updated environmental risk definition was provided in 2021 by Resolution CMN 4.943.	Insurance companies, open private pension entities (EAPCs), capitalization companies and local reinsurers.	Private Insurance Superintendence (Susep)	Financial risks	CC	Explicitly captured under sustainability risks that comprise climate, as well as environmental risks (please refer to CMN 4.943 environmental risk definition in comment section of Resolution 139 BCB). Regulated entity is required to perform materiality study. On an annual basis, institutions shall disclose a sustainability report with the actions taken to manage sustainability risks.	Mandatory	Implemented	The Circular also covers social risks and common interest risks. In the case of supervised bodies that eventually fail to comply with the provisions of the Circular, Susep may apply the sanctions provided for in the regulation, or, alternatively, request plans to correct the deficiencies found.	BD	Disclosure requirements on the rise
						WS		Mandatory				
						BD		Mandatory				
Canada	National instrument 51-107	On October 18, 2021, the Canadian Securities Administrators (CSA) published for comment proposed National Instrument NI 51-107, Climate-related Disclosure Requirements.	Listed businesses	Canadian Securities Administration (CSA)	Financial risks	CC	The proposed requirements contemplate disclosure by issuers related to the four core elements of the TCFD recommendations.	Mandatory	Under development	Consultations completed in 2022. CSA is also considering ISSB developments. No assurance specified.	CC	Disclosure requirements on the rise (under development)
						WS	N/A	N/A				
						BD	N/A	N/A				
	Climate disclosures for federally regulated FIs	Canada's financial regulator OSFI aims to require federally regulated FIs to publish climate disclosures aligned with the TCFD framework beginning in 2024, stating that it will use a "phased-in" approach for the requirements.	Banks and insurance companies	Office of the Superintendent of Financial Institutions (OSFI)	Financial risks	CC	Climate-related disclosure based on TCFD framework.	Mandatory	Under development	The Budget 2022 does not mention specific metrics on water use and biodiversity.	WS	No disclosure requirements
						WS	N/A	N/A			BD	No disclosure requirements
						BD	N/A	N/A				
China	Administrative measures for Legal Disclosure of Enterprise Environmental Information	In 2021 the China Securities Regulatory Commission published revised mandatory disclosure rules that need to be implemented among certain corporate categories, which will be required to compile annual reports.	Listed businesses that were subject to certain environmental penalties in the previous year and other entities identified by the Ministry of Ecology and the Environment, including those that discharge high levels of pollutants.	Ministry of Ecology and Environment and local competent departments for ecology and the environment	Impact on the environment	CC	Disclosure of carbon emissions and emission facilities	Mandatory	Implemented	More developments on water resources and water security disclosure are expected. The 14th Five-year Plan on Water Security was issued first time at national level and clearly points out a future direction and a shift on priorities from "pollutant control" to "water/resource conservation". No assurance required.	CC	Disclosure requirements on the rise
						WS	Disclosure of corporate's main pollutant generation, treatment, and discharge information (including wastewater).	Mandatory				
						BD	Biodiversity not explicitly mentioned and only indirectly covered. However, enterprises shall make a summary explanation of their compliance with ecological and environmental laws and regulations and changes in ecological and environmental administrative permits.	Mandatory			WS	Disclosure requirements on the rise
	The Guidance for Enterprise ESG Disclosure	The Guidance for Enterprise ESG Disclosure launched in 2022 is the first China-focused ESG disclosure standard issued in the country. In total, 118 ESG metrics. Disclosure principles allow for the provision of quantitative and qualitative data. Various issue areas such as resource consumption, climate change, labour rights and governance mechanisms.	Listed businesses	China Enterprise Reform and Development Society (CERDS)	Not specified	CC	Disclosure of scope 1, 2 and 3 GHG emissions, emission intensity, emissions reductions (across scopes 1,2 and 3) & emissions reduction investment.	Non-mandatory	Published	While its reporting guidelines are not mandatory, the guidance represents a step forward for the private sector and a good foundation in this large market for further regulatory developments. CERDS is a state-backed think tank, and the Guidance has been promoted by Chinese state authorities.		
						WS	Disclosure of quantitative metrics on water consumption and proportion of total recycled water to total water consumption.	Non-mandatory				
						BD	Biodiversity is only indirectly covered, mainly through the disclosure only of acreage data of a reporting entity's use land, wetland and marine resources, as well as timber volume.	Non-mandatory			BD	No disclosure requirements

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)	
India	Business Responsibility and Sustainability Reporting (BRSR); Circular No.: SEBI/HO/CFD/CMD-2/P/CIR/2021/562	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.	Applicable to both corporates and FIs. SEBI mandates top 1,000 listed entities by market capitalization to disclose under the BRSR framework. Expected to apply for all listed and unlisted companies in subsequent years.	Securities and Exchange Board of India (SEBI)	Not specified	CC	Disclosure of energy usage, air pollutant emissions, GHG emissions, risks and opportunities, approach to mitigate or adapt to the risks, and financial implications. Sustainability related goals & targets and performance against the same.	Mandatory	Implemented	No future updates have been announced yet, but SEBI will consider feedback from companies in future. No qualitative information on governance, strategies and risk management are mandated. No assurance required.	CC	Disclosure requirements on the rise
						WS	Water is part of the E, disclosure is focused on quantitative metrics of water use (compulsory) and discharge (voluntary). Disclosure on zero liquid discharge policy is mandatory. No qualitative information on governance, strategies and risk management are mandated.	Mandatory & non-mandatory			WS	Disclosure requirements on the rise
						BD	Biodiversity is part of the E. Compulsory site-specific disclosure of legal compliance in/around ecologically sensitive areas. Voluntary site-specific disclosure on direct and indirect impacts, as well as impact-related prevention and remediation activities.	Mandatory & non-mandatory			BD	Initial disclosure requirements
Indonesia	Indonesian Financial Authority (Otoritas Jasa Keuangan – "OJK") No.51/POJK.03/2017	In OJK Rule 51 regulated entities are required to submit a Sustainable Finance Action Plan and/or a Sustainability Report to OJK, to disclose sustainability-related activities. OJK Circular Letter No. 16/SEOJK.04/2021 & OJK Technical Guidance provide more detail on the ESG information that can be disclosed by listed businesses and FIs.	Listed businesses & FIs	Indonesian Financial Authority (OJK)	Not specified	CC	Disclosure of emissions reductions achieved (eg amount and intensity of emission produced by type, efforts and achievements made in emissions reductions), as well as disclosure of information on electricity consumption.	Mandatory	Implemented	E of ESG covers environmentally friendly material, energy, emissions, biodiversity, waste and effluent, and environmental complaints. Regulation mostly focused on resource use, not disclosing in financial terms, but mainly in terms of plans, strategies and achievement. However, listed businesses and FIs are required to disclose general environmental expenses incurred from prevention and restoration activities. In addition, FIs are required by the regulation to submit annually a Sustainable Finance Action plan. Large banks had to submit their first sustainability report for FY 2019, followed by listed businesses in 2020, and gradually applying until 2025 to the other FIs (bank and non-bank) depending on their assets. Assurance not required. Note: Through the Presidential Regulation 98/2021 Article 69, business entities are required to disclose certain information on climate mitigation and adaptation actions, including water-related activities, via a National Registry system (SRN) to the Ministry of Environment and Forestry (MoEF).	CC	Disclosure requirements on the rise
						WS	OJK Circular Letter No. 16 contains a water disclosure component. This applies only to listed businesses. Therefore, they are encouraged to disclose the amount of water used and its source (eg surface or underground water).	Non-mandatory			WS	Initial disclosure requirements
						BD	OJK Regulation No. 51 does not outline quantitative metrics to be used for assessing biodiversity impacts. Disclosure of information on operational activities or areas producing positive and negative impacts on the surrounding environment, especially ecosystem carrying capacity[51] improvements. Disclosure on biodiversity such as impacts from operational areas close to or situated in areas of conservation or otherwise those that contain biodiversity. Further, information on biodiversity conservation carried out, including flora or fauna species protection.	Mandatory			BD	Disclosure requirements on the rise

51 Definition: Carrying capacity is the number of organisms that an ecosystem can sustainably support. An ecosystem's carrying capacity for a particular species may be influenced by many factors, such as the ability to regenerate the food, water, atmosphere, or other necessities that populations need to survive. (Source: Carrying Capacity - Definition and Examples | Biology Dictionary).

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment		Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)
Japan	Cabinet Office Ordinance on Disclosure of Corporate Affairs	Disclosure Working Group of the Financial Services Council (FSA) published in 2022. Draft Amendments to the Cabinet Office Ordinance on Disclosure of Corporate Information. In January 2023, the Cabinet Office Ordinance on Disclosure of Corporate Information has been updated to require more information on sustainability disclosures.	Listed businesses & businesses that issue securities	Financial Services Agency (FSA)	Financial risks	CC	Disclosure on governance and risk management is mandatory. Strategy and metrics and targets are expected to be actively disclosed if material. Scope 1 and 2 GHG emissions are expected to be actively disclosed.	Mandatory	Implemented	The updated Annual Securities Report now contains a section that asks broadly for qualitative information on "Approach and Initiatives on Sustainability". Assurance not required.	CC	Disclosure requirements on the rise
						WS	N/A	N/A			WS	No disclosure requirements
						BD	N/A	N/A				
	TSE Corporate Governance Code revision	The Corporate Governance Code encourages companies to disclose non-financial information, such as business strategies and business issues, risk, and governance. After the 2023 FY, companies listed on the Prime Market should collect and analyse climate-related risks & opportunities and enhance the quality & quantity of disclosure based on the TCFD.	Listed businesses	Tokyo Stock Exchange (TSE)	Financial risks	CC	After the 2023 financial year, companies listed on the Prime Market should collect and analyse climate-related risks & opportunities and enhance the quality & quantity of disclosure based on the TCFD, such as governance, strategy, and risk management.	Mandatory	Implemented	Water and biodiversity are not mentioned in the Corporate Governance Code, but ESG matters are, with the recognition that they should be treated more proactively by corporates. Assurance not required.		
						WS	N/A	N/A				
						BD	N/A	N/A			BD	No disclosure requirements
South Korea	Korean ESG obligation	Mandatory ESG disclosure requirements will be implemented at the KOSPI Stock Market Division starting in 2025.	KOSPI-listed companies	Korea Exchange (KRX)	Under development	CC	Initial focus on climate, where there is international consensus.	Mandatory	Published	Phased approach: KOSPI-listed companies with more than $1.5 billion in assets in 2025; $780 million assets by 2027; $390 million in assets by 2029 and all KOSPI-listed firms by 2030. Disclosure standards will be expanded to other ESG areas at a later stage. The Financial Services Commission will also consider mandating verification of disclosed ESG information by an independent organization to ensure the information reliability.	CC	Disclosure requirements on the rise (under development)
						WS	N/A	N/A			WS	No disclosure requirements
						BD	N/A	N/A			BD	No disclosure requirements
Mexico	2017 Sustainability Guide	Listed companies are encouraged to develop sustainability practices that consider risks, material impacts and business strategy.	Listed businesses	Bolsa Mexicana de Valores (BMV)	Financial risks	CC	Businesses are recommended disclose Scope 1 & 2 GHG emissions.	Non-mandatory	Published	There is no ESG Regulation in Mexico. The Mexican Stock Exchanges (BMV and BIVA) have an ESG disclosure project which was originally intended to help the listed companies consolidate all their sustainability disclosures and tend to the different purposes the data is for (rating agencies, investor surveys, etc).	CC	Initial disclosure requirements
						WS	Businesses are recommended to disclose indicators of water intensity, ie income/water used (extracted).	Non-mandatory			WS	Initial disclosure requirements
						BD	N/A	N/A			BD	No disclosure requirements
Russia	Disclosure recommendations Central Bank of Russia	Published in 2021. Public companies are encouraged to disclose information about how they take into account factors related to the impact of ESG, as well as how they integrate ESG into their business model and development strategy.	Listed businesses	Central Bank of Russia	Financial risks	CC	Disclosure recommended to be based on generally recognized international standards, such as TCFD, GRI and Sustainability Accounting Standard Board (SASB). Recommendation to disclose Scope 1-3 GHG emissions.	Non-mandatory	Published	The Russian government has recently proposed a draft of law on Public Non-Financial Reporting, which provides, among others, for mandatory disclosure of information on regulated entities' strategy, goals, and results with respect to social responsibility and sustainable development. This document could not be found online.	CC	Initial disclosure requirements
						WS	If material, qualitative description of the dependency of the company on environmental factors, such as water, land, ecosystem, or biodiversity, as well as the impact of the companies' activities on these factors. Provision of information about the results of the implementation of corporate policies and procedures, including the impact on natural resources and biodiversity.	Non-mandatory			WS	Initial disclosure requirements
						BD		Non-mandatory			BD	Initial disclosure requirements

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)	
Saudi Arabia	ESG Disclosure Guidance	ESG voluntary disclosure guidelines for listed companies to promote sustainable growth published in 2021 comprise various topics, such as climate change, water stress, and biodiversity and land use.	Listed businesses & FIs	Saudi Stock Exchange	Not specified	CC	Elements to be considered for disclosure by businesses include direct and indirect risk exposure, opportunities, risk management related to GHG emissions, and product carbon footprint. Elements to be considered for disclosure by FIs comprise risks and opportunities for financing of environmental impact and the risk to climate change vulnerability for insurance companies.	Non-mandatory	Published	Advancing ESG issues is portrayed by the Saudi government as central to diversifying the economy and creating a sustainable financial sector.	CC	Initial disclosure requirements
						WS	Elements to be considered for disclosure by businesses include water intensity of their operations, water stress in their areas of operation and efforts to manage water-related risks and opportunities.	Non-mandatory			WS	Initial disclosure requirements
						BD	Elements to be considered for disclosure by businesses include potential impact of their operations on biodiversity in their areas of operation and their efforts to manage the environmental impact of their operations.	Non-mandatory			BD	Initial disclosure requirements
South Africa	JSE's Sustainability and Climate Disclosure Guidance	Guidance aims to help issuers to navigate the rapidly evolving landscape of sustainability reporting and link sustainability disclosures to the fundamental drivers of value creation.	Listed businesses	Johannesburg Stock Exchange (JSE)	Financial risks & impacts on people and planet	CC	Disclosure recommendations based on TCFD framework.	Non-mandatory	Published	Advanced and comprehensive, this voluntary disclosure system introduced Core (C) and Leadership (L) metrics, seeking to balance the desirability of a 'simple list' with an applied materiality principle.	CC	Initial disclosure requirements
						WS	Core disclosure comprises water use, along with water discharges. Withdrawals in areas of water stress and discharges are part of the leadership metrics.	Non-mandatory			WS	Initial disclosure requirements
						BD	Core disclosure comprises direct and indirect impact and dependency on biodiversity, as well as impact management metrics for biodiversity and land use as a key environmental topic. Leadership disclosure comprises corporate biodiversity management, where material, and management results.	Non-mandatory			BD	Initial disclosure requirements
Turkey	2020 Sustainability Principles Compliance Outline	Capital Markets Board (CMB) amended the Corporate Governance Communique to ensure that public companies adopt the idea of sustainability and report their sustainability performance. With this regulation, the CMB also provided the Sustainability Principles Compliance Framework, which outlines ESG indicators that can be reported on.	Listed businesses	Capital Markets Board (CMB)	Financial risks	CC	Comply or expain: ESG indicators comprise climate-related risk assessment by senior management, environmental activities (eg environmental policy, energy management system), Scope 1-3 GHG emissions, emission intensity, direct/indirect energy use and sources of energy use.	Mandatory	Implemented	Though it is optional to implement these guidelines, it is mandatory to report whether they are implemented or not under the "Comply or Explain" principle. ESG has started to play a more important role in Turkey.	CC	Initial disclosure requirements
						WS	Comply or expain: ESG indicators comprise existence of an environmental policy for water-related issues, total water consumption and amount of reused water.	Mandatory			WS	Initial disclosure requirements
						BD	N/A	N/A			BD	No disclosure requirements
UK	A roadmap towards mandatory TCFD-aligned disclosure	The roadmap sets out an indicative path towards mandatory climate-related disclosures across the UK economy by 2025.	Listed businesses, large businesses & FIs	HM Treasury	Under development	CC	Disclosure aligned with TCFD framework.	Mandatory	Under development	UK institutions (eg BEIS, FCA, TPR) have already implemented several regulations that require climate-related financial disclosure for certain businesses and FIs. Since 2022, over 1,300 of the largest UK-registered businesses and FIs are already disclosing climate-related financial information on a mandatory basis – in line with recommendations from the TCFD.	CC	Disclosure requirements on the rise
						WS	N/A	N/A			WS	No disclosure requirements
						BD	N/A	N/A			BD	No disclosure requirements

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)	
US	Proposed rule: The Enhancement and Standardization of Climate-Related Disclosures for Investors	A central focus of the Commission's proposed rules is the identification and disclosure of a registrant's material climate-related risks. The proposed rules would require a registrant to disclose any climate-related risks reasonably likely to have a material impact on the registrant's business or consolidated financial statements, business operations, or value chains.	Listed businesses	Securities Exchange Commission (SEC)	Financial risks	CC	Proposed rule draws heavily on the disclosure framework developed by TCFD. Disclosure of governance, risks and risk management, scope 1 and 2 GHG emissions (absolute and emissions intensity), scope 3 (if material or covered by target), climate targets and transition plan if any, opportunities (voluntary).	Mandatory	Under development	In addition, there is the Proposed Federal Acquisition Rule (FAR) by the FAR Council that is under development and likely requires federal suppliers to disclose climate-related data through CDPs disclosure platform and have verified Science Based Targets (SBTs). It needs to be assessed if suppliers also need to disclose biodiversity-related data points in CDPs climate questionnaire. Also, the US published a National Strategy to Develop Statistics for Environmental-Economic Decisions. This strategy should culminate into a standardized US government natural accounting framework that can help market participants better understand what nature-related metrics and data are important to track and report. This action represents a commitment by the US and the Biden-Harris administration to put nature on the balance sheet and could lead to nature-related disclosures by US companies.	CC	Disclosure requirements on the rise (under development)
						WS	Water-risk considered as part of climate-related risks. Decreasing availability of freshwater and drought are classified as chronic risks. The proposed rules would require a registrant to disclose the amount of assets located in such regions, in addition to their location. The registrant would also be required to disclose the percentage of its total water usage from water withdrawn in those regions.	Mandatory			WS	Disclosure requirements on the rise (*under development)
						BD	It is only indirectly approached through climate-related risks and risk management. GHG emissions disclosure requirement focuses on direct and indirect emissions, including. from land-use changes. Targets and goals disclosure require certain information about climate-related targets or goals, including. from conservation or ecosystem restoration activities.	Mandatory			BD	None
EU	EU CSRD	EU rules to expand the scope of the Non-Financial Reporting Directive (NFRD). Companies will report according to European Sustainability Reporting Standards (ESRS) developed by EFRAG. The EU compliance and disclosure requirements are designed to make corporate ESG reporting within the EU more accurate, common, consistent, comparable, and standardized, just like financial accounting and reporting.	All large businesses, insurance undertakings, listed SMEs, and certain third country undertakings	National competent authorities	Financial risks and impact on people & planet	CC	EU CSRD requires disclosure on topical standard for Climate Change (E1) based on materiality assessment. If material, disclosure requirements comprise transition plan, impacts, risks and opportunities, process for assessing impacts, risks and opportunities, impact, risk and opportunity management, actions related to climate change policies, metrics and targets (targets related to climate change mitigation and adaptation, energy consumption and mix), energy intensity based on revenue (Scope 1-3 and total GHG emissions), GHG intensity based on net revenue (GHG removals and GHG mitigation projects finance through carbon credits, internal carbon pricing, physical and transition risks and opportunities).	Mandatory	Adopted	Disclosure will be required from the 2024 reporting period onwards. Phase-in provisions allow companies with less than 750 employees to omit in the first one to two reporting years disclosure of Scope 3 GHG emissions (ESRS E1) and disclosure on biodiversity (ESRS E4). EC has made certain disclosure requirements or data points voluntary, such as biodiversity transition plans and an explanation of why the company has deemed a particular sustainability topic (excluding ESRS E1 on climate change) to be non-material. For more information, please refer to the CDP Policy Explainer[52].	CC	Emerging best-practice of disclosure requirements
						WS	EU CSRD requires disclosure on topical standard for Pollution (E2) and Water & Marine Resources (E3) based on materiality assessment. If material, disclosure requirements under E2 comprise amount of pollutants emitted to air, water and soil, total water recycled in m^3, total water consumption in m^3 per net revenue on own operations. If material, disclosure requirements under E3 comprise an illustration of how the undertaking has considered the following: - geographical areas with water-related quality, quantity, regulatory or reputational issues for its facilities and for the facilities of key suppliers; - commodities used by the undertaking which have an impact on the environmental status; - business activities for which water issues and access to commodities represent a material risk; and - sites located in areas of high-water stress.	Mandatory				

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	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment		Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)
EU							The process should also include: • processes to identify suppliers in the value chain with material water quantity or water quality related impacts or risks; • processes to conduct an assessment of key suppliers; and • processes to screen marine resource-related commodities in its purchases in order to identify material impacts and risks. The disclosure shall also cover how it may impact the resilience of the strategy and the business model. The outcome of the process shall include: • a list of geographical areas where water is a material issue for the undertaking's operations and value chain, including, but not limited to: quality or quantity of water, regulatory or reputational risks; • a list of commodities used by the undertaking which are material to the good environmental status of marine waters as well as for the protection of marine resources; and • a list of business activities associated with water and marine resources' material impacts, risks and opportunities.					
EU						BD	EU CSRD requires disclosure on topical standard for Biodiversity & Ecosystems (E4) based on materiality assessment. If material, disclosure comprises site-specific biodiversity information, qualitative, as well as quantitative data requirements, and value chain coverage. Reporting of undertaking's biodiversity and ecosystem risks, opportunities, impacts, and dependencies. Disclosure of transition plans (voluntary), policies, targets, and actions plans. Specific focus is given on disclosure of information related to biodiversity-sensitive areas, ecosystem extent and condition, and involvement of stakeholders in disclosure process.	Mandatory			WS	Emerging best-practice of disclosure requirements
EU	EU SFDR	Sustainable Finance Disclosure Regulation (SFDR) requires Financial Market Participants to disclose sustainability-related information and explain how they consider sustainability in their investment decision-making.	Financial Market Participants (FMP) and Financial Advisers	National competent authorities	Financial risks and impact on people & planet	CC	Principal Adverse Impact (PAI) indicators and metrics reported on in a PAI statement include GHG emissions (Scope 1-3), carbon footprint, GHG intensity of investee company, exposure to companies active in the fossil fuel sector through shares of investments, share of non-renewable energy consumption and production of investee company & energy consumption intensity per high impact climate sector.	Mandatory	Published	Mandatory (FMPs >500 employees) and voluntary (FMPs <500 employees) requirement to disclose at entity-level actual and potential adverse sustainability impacts of investment decisions through a Principle Adverse Impact (PAI) statement. In addition, at entity- and product-level, disclosure of accounting for sustainability risks and considering climate, water and biodiversity impacts. For more information, please refer to the CDP Policy Explainer[53].		
EU						WS	PAI indicators reported on in a PAI statement include emissions to water. PAI metric captures tonnes of emissions to water generated by investee companies per million EUR invested, expressed as a weighted average.	Mandatory				
EU						BD	PAI indicators reported on in a PAI statement include activities that negatively affect biodiversity-sensitive areas. PAI metric captures the share of investments in investee companies with sites/operations located in or near to biodiversity-sensitive areas where activities of those investee companies negatively affect those areas.	Mandatory			BD	Emerging best-practice of disclosure requirements

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	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment		Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)
Singapore	Climate-related disclosure	Singapore Exchange (SGX) introduced mandatory disclosure based on TCFD from January 2022.	Listed businesses	Singapore Exchange (SGX)	Financial risks	CC	The sustainability report must contain climate-related disclosure consistent with the TCFD framework for certain sectors, while all other sectors can report on a 'comply or explain' basis.	Mandatory	Implemented	All issuers must provide climate reporting on a 'comply or explain' basis in their sustainability reports from the financial year (FY) commencing 2022. Climate reporting will subsequently be mandatory for issuers in the financial; agriculture, food and forest products; and energy industries in 2023, for FY 2023. Issuers in the materials and buildings, and transportation industries must do the same from FY 2024. There is no timeline to mandate TCFD-aligned reporting for issuers in other sectors. Internal review required.	CC	Disclosure requirements on the rise
						WS	Biodiversity and water are mentioned as potential ESG factors. Sustainability reporting should contain material ESG factors and describe both the reasons for and the process of selection, taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders. Furthermore, for material ESG factors, sustainability report should set out policies, practices, performance, and targets for the forthcoming year.	Non-mandatory			WS	Disclosure requirements on the rise
						BD		Non-mandatory				
	Guidelines on Environmental Risk Management	Monetary Authority of Singapore (MAS) issued its 'Guidelines on Environmental Risk Management for FIs in December 2020. Its aim is to enhance the FIs resilience to and management of environmental risk through setting out sound risk management practices.	FIs	Monetary Authority of Singapore (MAS)	Financial risks	CC	Climate change (eg extreme weather, transition to low-carbon economy, punitive actions), water security (eg water scarcity, pollution and droughts) and biodiversity loss are described as potential risks that should be monitored, assessed and potentially managed. If material, disclosure of risk management approach in accordance with well-regarded international reporting frameworks such as the TCFD. For climate, exemplary metrics to be considered include carbon intensity and climate regulation alignment of portfolio.	Mandatory	Implemented	Overall, the guidelines provide much space for developing an annual report on an FI's environmental risk management approach. Assurance not required.		
						WS						
						BD					BD	Disclosure requirements on the rise
Switzerland	Ordinance on Climate Disclosure	The Swiss Federal Council adopted mandatory climate disclosure for large companies, which enters into force on January 1, 2024. In doing so, the Swiss government implements the recommendations of TCFD.	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.	Federal Department of Finance (tbc)	Financial risks	CC	Governance, strategy, risk management, key figures, and targets, including a transition plan, quantitative CO2 targets, and the disclosure of all GHG emissions.	Mandatory	Implemented	Considering regulatory developments in the EU (eg CSRD & SFDR) and the close integration of both economic areas, there are ongoing discussions in Switzerland to expand the Ordinance on Climate Disclosure in the future to require beyond-climate environmental disclosure. Assurance not required.	CC	Disclosure requirements on the rise
						WS	N/A	N/A			WS	No disclosure requirements
						BD	N/A	N/A			BD	No disclosure requirements

	Regulation, Guidance	Description	(a) Targeted Stakeholder	Supervision & enforcement	(b) Materiality approach		(c) Scope of disclosure per theme	(d) Binding character of the disclosure (mandatory[49] or non-mandatory[50])*	Status	Comment	Consolidated classification (a+b+c+d) across assessed policies and regulations per theme and per jurisdiction (as in the maps)	
Hong Kong	Supervisory Policy Manual GS-1 Climate Risk Management	Document provides guidance to banks on the key elements of climate-related risk management, including expectations on disclosure.	FIs	Hong Kong Monetary Authority (HKMA)	Financial risks	CC	At a minimum, banks should make climate-related disclosures aligned with TCFD recommendations. However, banks may adopt a comply-or-explain approach, considering the significance of their operation and materiality of climate-related risks.	Mandatory	Implemented	Assurance not required.	CC	Disclosure requirements on the rise
						WS	Themes not explicitly addressed. When reflecting on the evolving disclosure landscape, the only outlines that banks may also consider assessing and disclosing the impact of their business activities towards the environment.	Non-mandatory				
						BD		Non-mandatory				
	Management and Disclosure of Climate/related Risks by Fund Managers	Circular amends the Fund Manager Code of Conduct (FMCC) to require Fund Managers managing collective investment schemes (CIS) to take climate-related risks into consideration in their investment and risk management processes and make appropriate disclosures.	Fund Managers	Securities and Futures Commission (SFC)	Financial risks	CC	Baseline and enhanced (for fund managers that manage collective investment schemes equal or above $8 billion) disclosure requirements on governance, investment management and risk management. Fund managers may adopt a 'comply or explain' approach, requiring them to provide very detailed explanations on why they omitted disclosure of climate-related risks and risk management.	Mandatory	Implemented	Assurance not required.	WS	Initial disclosure requirements
						WS	N/A	N/A				
						BD	N/A	N/A				
	Appendix 27 to HKEx Listing Rules	Environmental, Social and Governance Reporting Guide comprises two levels of disclosure obligations: (a) mandatory disclosure requirements; and (b) 'comply or explain' provisions.	Listed businesses, listed banks and institutional investors & asset managers	Hong Kong Stock Exchange (HKEx)	Financial risks	CC	Comply or explain: Corporate policies and legal compliance relating to GHG emissions, including Key Performance Indicators (KPI) on Scope 1-2 GHG emissions, GHG intensity, and emission targets. In addition, disclosure on the efficient use of energy, including KPIs on energy consumption types, energy use efficiency. Also, disclosure about policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Mandatory	Implemented	Mandatory disclosure requirements comprise only the board's oversight of ESG issues, its ESG management approach and strategy and how the board reviews progress against ESG-related goals and targets. Importantly, HKEx is expected to tighten its climate disclosure rules soon, making it mandatory for a listed business to disclose details of their transition plans, Scope 1-3 emissions, and risk and opportunities related to climate change. Also, companies would be required to disclose their governance process and climate resilience. Changes are intended to align with standards developed by ISSB.	BD	No disclosure requirements
						WS	Comply or explain provisions: Corporate policies and legal compliance relating to discharges into water, policies on the efficient use of water, including KPIs on water consumption, issues sourcing water, water efficiency targets and steps taken to achieve them.	Mandatory				
						BD	Theme not explicitly addressed. Comply or explain provisions: Unspecified general disclosure of significant impacts on environment and natural resource, corporate policies, and actions to minimise and manage such impacts.	Mandatory				

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About CDP

CDP is a global non-profit that runs the world's environmental disclosure system for companies, cities, states and regions. Founded in 2000 and working with more than 740 financial institutions with over $130 trillion in assets, CDP pioneered using capital markets and corporate procurement to motivate companies to disclose their environmental impacts, and to reduce greenhouse gas emissions, safeguard water resources and protect forests. Nearly 20,000 organizations around the world disclosed data through CDP in 2022, including more than 18,700 companies worth half of global market capitalization, and over 1,100 cities, states and regions. Fully TCFD aligned, CDP holds the largest environmental database in the world, and CDP scores are widely used to drive investment and procurement decisions towards a zero carbon, sustainable and resilient economy. CDP is a founding member of the Science Based Targets initiative, We Mean Business Coalition, The Investor Agenda and the Net Zero Asset Managers initiative. Visit cdp.net or follow us @CDP to find out more.