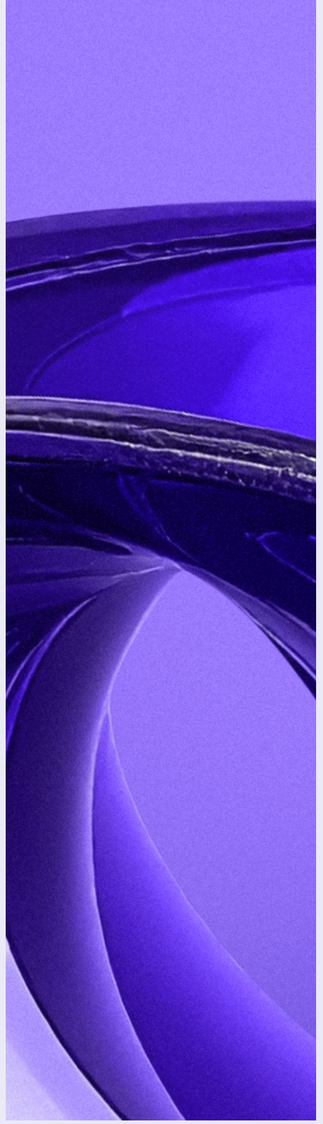
SLAUGHTER AND MAY



ESG in APAC

Jurisdictional overview on ESG reporting, transition and greenwashing

October 2026

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Introduction

Lisa Chung, Partner
Slaughter and May[3]

Welcome to the fourth edition of our *ESG in APAC publication*[1]. This publication helps businesses unpack the ESG regulatory landscape in 16 APAC jurisdictions in relation to three key themes:

- **ESG reporting** – Investors, financiers and others have been demanding higher quality and more comparable ESG disclosures from companies for their capital allocation, risk assessment and own reporting obligations. The publication explores the extent to which APAC jurisdictions are mandating corporate ESG reporting, driving greater harmonisation of reporting frameworks, particularly through incorporation of the ISSB Standards[2], and strengthening reliability through assurance requirements.
- **Transition** – With jurisdictions setting net zero and other sustainability goals, the publication examines the extent to which businesses are being required or encouraged to transition towards more environmentally sustainable and socially responsible business models through regulatory measures such as carbon pricing tools and value chain due diligence regimes. With the significant funding needed to support the region's transition, it also highlights how jurisdictions are seeking to channel private capital and financing towards the transition.
- **Greenwashing** – the publication explores the extent to which there have been material litigation or regulatory actions in APAC related to greenwashing and the grounds for any such action. This year's edition also highlights instances of ESG litigation and enforcement risks beyond greenwashing that are emerging in APAC.

This publication is a collaboration between Slaughter and May and leading independent law firms in APAC. As the first British law firm to open an office in Hong Kong in 1974, Slaughter and May has a long-standing presence in APAC. For half a century, we have acted for our local and international clients on all elements of their APAC matters. We have, for many years, worked closely with leading independent law firms throughout APAC in delivering seamless first-class legal services in many cross-border matters.

Please keep scrolling down to explore overall trends across APAC and key actions for businesses in relation to each key theme, along with further detailed information on the 16 APAC jurisdictions covered in this publication.

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1 The content of this publication represents the position as at 30 June 2026.

2 IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures issued by the International Sustainability Standards Board.

3 This publication was co-edited by Lisa Chung and Lydia Kung Sen, who gratefully acknowledge the contributions and assistance of Ingrid Ip, Michelle Hsu, Venetia Lam and the contributing authors.

Year in review across APAC

(1 July 2025 to 30 June 2026)

The bigger picture

ESG regulations are strengthening in APAC

Although ESG has faced headwinds in other markets,[4] and geopolitical developments have heightened concerns on balancing the transition with energy security and economic development priorities, APAC jurisdictions have generally continued to strengthen their ESG regulatory frameworks in a pragmatic and phased manner. This has been driven by factors including the region's acute exposure to sustainability-related risks, the economic opportunities presented by the transition, and the impact of overseas measures targeting global value chains and carbon leakage. With the transition in APAC alone requiring an estimated US$79-89 trillion by 2050, many jurisdictions are also enhancing the market infrastructure needed to facilitate fund flows to support the transition.

From ambition to action and accountability

Regulatory measures to address corporate environmental and social impacts are increasing in number and coverage, impacting entities within direct scope of the regulations, as well as their value chain partners. Mandatory carbon pricing and circularity measures are expanding through the region, and as transparency increases with mandatory sustainability reporting regimes, businesses are facing growing pressure to demonstrate credible plans and actions in support of a just and sustainable transition. Early-stage developments in value chain due diligence and climate litigation are emerging in several APAC jurisdictions, with the Philippines considering a landmark bill on corporate climate accountability. These developments point to sustainability as an area that will increasingly require credible corporate action and accountability.

Looking beyond net zero

Whilst climate change remains the primary regulatory focus, APAC is seeing emerging developments under the "S" (social) pillar, with several jurisdictions considering value chain due diligence regimes and introducing forced labour import bans. These developments are being driven by domestic policy goals and market access pressures.[5] At the same time, certain countermeasures[6] have been imposed in response to the impact of foreign due diligence regulations. Businesses should be prepared to navigate evolving and potentially competing expectations on responsible business conduct.

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4 The US Securities and Exchange Commission has proposed the rescission of requirements on climate-related disclosures in registration statements and annual reports. The EU has enacted reforms to simplify their sustainability regime and substantially narrow its application scope due to concerns with the regulatory burden on businesses and the impact on EU competitiveness.

5 For example, the US' investigations and tariffs on 60 trading partners for alleged failures to prohibit the import of goods produced with forced labour.

6 Such as the Chinese Mainland's measures relating to supply chain investigations and countermeasures targeting certain organisations involved in supply chain tracing and audits.

ESG reporting

The shift to mandatory and standardised sustainability reporting

Comparable and decision-useful sustainability-related information is seen as a key part of enhancing capital allocation and scaling sustainable financing. Almost all of the covered jurisdictions have progressed from proposing to implementing enhancements to their sustainability reporting regimes – shifting from voluntary or narrative requirements to mandatory and/or more granular requirements.

The ISSB Standards are becoming the regional baseline

The ISSB Standards are investor-focussed reporting standards that comprise IFRS S1 – which covers sustainability-related risks and opportunities (i.e. not just climate) – and IFRS S2 – which covers climate-related risks and opportunities. Together, these standards aim to establish a global baseline for the disclosure of sustainability-related risks and opportunities that could reasonably be expected to affect an organisation's prospects. 10 out of the 16 covered jurisdictions have mandated ISSB-aligned reporting, with a further three indicating plans to move towards this. Interoperability and comparability will improve over the region, with a common language and structure built around the four pillars of governance, strategy, risk management and metrics and targets. Jurisdictions are typically mandating a climate-first approach that is aligned with IFRS S2, with broader sustainability topics to follow.

Implementation of mandatory ISSB-aligned reporting

In force, subject to phased implementation

Jurisdiction	Applicable to reporting periods commencing on or after	Scope
Australia	2025 - 2027	Climate disclosures - large entities, large asset owners and entities that meet specified GHG emissions and energy production / consumption thresholds
Hong Kong	2025 - 2026	• Climate disclosures – listed entities • Sustainability disclosures from 2028 - large listed entities and financial institutions with significant weight in Hong Kong (proposed)
Malaysia	2025 - 2030	Climate disclosures for first two reporting periods followed by sustainability disclosures – listed entities and large non-listed entities
Singapore	2025 - 2030	Climate disclosures – listed entities and large non-listed entities
Japan	2026 - 2028	Sustainability disclosures – listed entities
Philippines	2026 - 2028	Climate disclosures for first reporting period or first two reporting periods (depending on entity) followed by sustainability disclosures – listed issuers and large non-listed entities
Taiwan	2026 - 2028	Climate disclosures for first reporting period followed by sustainability disclosures – listed entities

In progress – roadmap issued

Jurisdiction	Applicable to reporting periods commencing on or after (proposed)	Scope (proposed)
Indonesia	2027 - 2030	Sustainability disclosures - listed issuers, financial sector entities and public companies
South Korea	2027 - 2028	Climate disclosures – listed entities
Thailand	2027 - 2030	Climate disclosures for first five reporting periods followed by sustainability disclosures – listed entities

In progress

Jurisdiction	Status	Applicable to reporting periods commencing on or after	Scope
New Zealand	Consultation	2033 (proposed)	Climate disclosures (proposed)
Cambodia	Voluntary	Mandatory timing to be confirmed	IFRS S1 and S2 have been adopted
Chinese Mainland	Voluntary	Mandatory timing to be confirmed	Standards functionally aligned with IFRS S1 and S2 have been issued

Fragmentation will remain

Some jurisdictions with more bespoke reporting requirements (India, Myanmar and Vietnam) have not formally announced plans to incorporate the ISSB Standards or TCFD Recommendations (the latter being the conceptual foundation for the ISSB Standards), whilst the Chinese Mainland and Cambodia have yet to officially confirm the timing for mandatory ISSB-aligned reporting. There is also some variation in the extent of alignment with the ISSB Standards – for instance, some jurisdictions apply the standards only to climate reporting and some exempt Scope 3 GHG emissions (see below).

Jurisdictions adopting the "single materiality" approach of the ISSB Standards will be distinct from those that take a "double materiality" approach (like the EU, Chinese Mainland and India), as the former assesses materiality by reference to financial materiality rather than a company's external impact.

Some large non-listed entities will fall within scope

In line with the ISSB's investor lens, listed entities are the primary reporting entities, but some jurisdictions have expanded beyond this to capture large non-listed entities (Malaysia, Indonesia, Philippines, Singapore) and major emitters and energy producers / consumers (Australia) as well.

GHG transparency and comparability will improve

GHG transparency and comparability will improve as IFRS S2-aligned reporting is phased in, requiring the disclosure of Scope 1, 2 and 3 GHG emissions and generally adopting the GHG Protocol as the default measurement methodology. However, GHG emissions disclosures will not be fully harmonised as some jurisdictions have indefinitely carved out Scope 3 disclosures (Cambodia, Chinese Mainland, India, Indonesia and Vietnam) and some permit domestic methodologies for particular emissions (Australia, Chinese Mainland, Japan and Taiwan) or have not mandated the use of the GHG Protocol (Cambodia, India and New Zealand). Myanmar currently has no GHG emissions disclosure requirements.

Mandatory external assurance is becoming the norm

External independent assurance is a key element of ensuring data integrity and credibility of sustainability reporting. Mandatory assurance requirements are already in place or being phased in in Australia, India, New Zealand, Philippines and Singapore, and has been proposed in Hong Kong, Indonesia, Malaysia, Japan, South Korea and Thailand. However, the scope, level and timing of assurance is not fully harmonised across jurisdictions.

Several jurisdictions have taken steps to ease the compliance burden

Although New Zealand has strengthened its climate reporting framework in recent years and is consulting on IFRS S2-aligned climate reporting, it has also announced changes to narrow the scope of entities subject to existing climate reporting requirements and further defer Scope 3 reporting. India has made value chain-related ESG disclosures voluntary, while Singapore has deferred ISSB-aligned reporting requirements for smaller listed entities and large non-listed entities. However, these measures represent targeted adjustments rather than wholesale retreat from mandatory sustainability reporting.

Reporting beyond climate?

Internationally, nature-related reporting has been discussed as the next area of focus after climate. To date, none of the covered jurisdictions have announced plans to mandate this, but a few have indicated it will be under consideration. The ISSB has announced that it will consult the market on a nature-related practice statement, drawing on the TNFD framework, rather than issuing a dedicated reporting standard as originally envisaged.[7] It remains to be seen if nature reporting will become mandatory in the same way as for climate reporting. Modern slavery reporting is another area to monitor – comprehensive requirements are already in place in Australia (and are proposed to be strengthened), and a bill to introduce a similar regime is progressing through the legislative process in New Zealand.

What this means for businesses

Coherent reporting approach

The differences in approach towards materiality and the implementation of the ISSB Standards require businesses subject to reporting regimes in multiple jurisdictions to assess and address reporting gaps and overlaps and to respond and comply in a coherent manner.

Getting assurance-ready

With increasing mandatory assurance requirements and greenwashing risks as reporting obligations expand, reporting entities should strengthen their processes and controls for collecting, validating and documenting sustainability information, with the same rigour as for traditional financial reporting.

Look to the first movers

As some of the first jurisdictions globally to mandate ISSB-aligned climate reporting, Australia, Hong Kong, Malaysia and Singapore will provide useful precedents and guidance for businesses preparing for ISSB-aligned reporting. Sustainability reports of leading industry peers in these markets may provide insight on reporting practices and transition plans.

Reframing from compliance to value creation

Businesses are better able to unlock strategic value and build long-term resilience if they approach sustainability reporting as an opportunity to understand the sustainability risks and opportunities most relevant to their stakeholders and to communicate their strategy for managing and capitalising on them.

7 ISSB agrees proposed way forward on nature-related disclosures.

Transition

Net zero transition

- **Continued growth of carbon pricing tools**

  With all of the covered jurisdictions having announced net zero and/or decarbonisation commitments, many have implemented policy instruments to drive businesses to decarbonise. Carbon pricing is a key policy tool, with 13 out of the 16 covered jurisdictions having introduced or in the process of introducing some form of mandatory carbon pricing tool, primarily targeting high-emitting sectors. These tools put a price on carbon to incentivise businesses to reduce their emissions, as well as mitigate against the impact of the EU's CBAM, which would otherwise impose a charge on certain goods to reflect the carbon emitted during their production. However, current carbon pricing levels in the region are generally considered to be insufficient to meet climate goals.

  Mandatory ETS are in place or being operationalised in Australia, Chinese Mainland, India, Indonesia, Japan, New Zealand, South Korea and Vietnam. The number of jurisdictions with mandatory ETS has been increasing year-on-year, with further jurisdictions (Malaysia, the Philippines, Taiwan and Thailand) in the process of developing or implementing their mandatory ETS. Notably, the Chinese Mainland is expected to further expand its national ETS coverage by 2027 and introduce absolute caps by 2030.

  Carbon taxes (of varying scope) are in place in Singapore, Taiwan, Thailand and the Malaysian State of Sarawak. Taiwan collected approximately US$154 million in carbon fees in its first implementation cycle. Looking ahead, Indonesia and Malaysia are planning a national carbon tax and Singapore will be raising its carbon tax rate progressively. Taiwan and Thailand are also considering plans to implement their own CBAM.

  The coverage of carbon pricing and pricing levels are therefore expected to gradually increase in the region.

  The Philippines' Climate Accountability Bill, if implemented as drafted, would be the first of its kind in the region on corporate climate accountability. It has been under legislative consideration since late 2023.

- **Climate transition plans**

  For jurisdictions that are implementing IFRS S2-aligned disclosures, the disclosure of any transition plan and climate-related targets that a corporate may have established will be a key aspect of ISSB-aligned reporting. The transparency is expected to create knock-on pressure for corporates to put in place credible transition plans and targets in order to demonstrate to stakeholders that they have developed a robust climate strategy. Indonesia plans to go further by making it mandatory for entities subject to sustainability reporting requirements to develop a transition plan in accordance with a specified framework to be issued.

The transition beyond net zero

- **Towards a circular economy**

  The concept of circularity can be seen as a regenerative system in which resource input, waste and emissions are minimised. Examples of circularity regulations include: (i) green product and packaging design e.g. requiring recyclability and minimum recycled content; (ii) extended producer responsibility or EPR schemes making producers operationally and/or financially accountable for the entire lifecycle of their products. Typically, this requires producers to collect and recycle product or packaging waste or cover the operating costs of doing so, with such schemes tied to statutory collection and recycling targets. This should also have the impact of incentivising producers to (re)design their products and packaging to be circular; and (iii) green public procurement.

We are seeing circularity regulations growing in momentum across the region. Mandatory EPR schemes have been introduced in over half of the covered jurisdictions (including in Cambodia, Chinese Mainland, Hong Kong, India, Philippines, Singapore, South Korea, Taiwan and Vietnam). The coverage and enforcement of EPR schemes vary, with some currently limited to electronic waste, whilst others cover a broader range of products and packaging. Looking ahead, many of the covered jurisdictions, including Australia, Cambodia, Chinese Mainland, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and Thailand, have announced plans to introduce or further enhance regulations or enforcement in this area. In particular, more comprehensive and holistic circularity regimes are being considered in Australia, Chinese Mainland, Malaysia and Taiwan.

- **Regulatory signals on value chain due diligence**

  Together, the UN Guiding Principles on Business and Human Rights (**UNGPs**) and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (**OECD Guidelines**) set out the concept of human rights and environmental due diligence (**HREDD**) – requiring businesses to identify, prevent and mitigate human rights and environmental impacts in their own operations and value chains. The EU's CSDDD contains due diligence obligations that draw upon the UNGPs and OECD Guidelines.

Although some of the covered jurisdictions have reporting requirements on due diligence policies, none currently mandate businesses to conduct HREDD. However, the regulatory landscape is rapidly evolving, driven by domestic policy goals and market access pressures (e.g. arising from the EU's CSDDD and US's forced labour concerns):

- The Philippines, South Korea and Thailand have legislative bills under consideration which, if enacted, would impose requirements on in-scope businesses to conduct HREDD on their value chains. Australia has announced a proposed criminal "failure to prevent modern slavery" offence for larger companies subject to a reasonable steps defence, with a consultation expected. Indonesia and Taiwan have indicated they may move towards a more mandatory human rights due diligence regime in the future.
- Cambodia and Indonesia have each introduced forced labour import bans. While these measures do not impose direct due diligence obligations, they have the practical effect of encouraging more robust supply chain due diligence to avoid penalties such as goods being seized at the border.

Plugging the investment gap

The IMF estimates that emerging and developing Asia alone faces a climate financing gap of approximately US$800 billion. Against this backdrop, governments are deploying several interconnected policy tools to mobilise private capital at scale:

- **Sustainable finance taxonomies** - now issued in 12 of the 16 surveyed jurisdictions – provide classification frameworks to guide capital allocation by defining green and transition activities. There is an increasing focus on transition finance to support the transition of hard-to-abate sectors which do not meet strict "green" criteria but are on credible decarbonisation pathways, with specific taxonomy coverage and sectoral roadmaps observed in multiple jurisdictions.
- **Blended finance** - the use of public capital to de-risk and mobilise private investment - is gaining traction as a tool to bridge the gap, with Singapore's Financing Asia's Transition Partnership initiative providing an important test case, and Indonesia's Energy Transition Platform serving as a government-backed blended finance mechanism to mobilise capital for the country's energy transition.

- **Carbon credits** offer a market-based solution to improve the commercial viability of emissions reduction and removal projects, helping to unlock financing to enable projects that may otherwise not proceed. With APAC hosting a significant share of projects, jurisdictions (including Australia, Chinese Mainland, India, Indonesia, Malaysia, the Philippines, Thailand and Vietnam) have introduced, or are developing, their own carbon crediting mechanisms and related frameworks, with some indicating plans to facilitate the international trading of such credits through Article 6 of the Paris Agreement.
- **The sustainable finance ecosystem** is being strengthened through mandatory sustainability disclosures (aligned with the ISSB Standards in most jurisdictions), sustainability assurance regimes, and guidance on transition planning - all aimed at mobilising private capital by improving the quality and comparability of information available to investors and mitigating greenwashing risks.

What this means for businesses

Transition pressures on businesses and value chains are increasing

The scale, timing and nature of transition pressures will vary by sector and company, but the direction of travel is clear - regulations to address corporate environmental and social impacts (such as carbon pricing, circularity and forced labour measures) will harden. Those not directly in scope of such regulations can expect to face cascading pressure where customers, suppliers and/or other stakeholders are subject to these regimes. Businesses, particularly those in higher-emitting or export-intensive sectors, should monitor developments and evaluate the impact on their business models, strategy, operations, procurement and compliance.

Use of strategic tools

With regulatory signals indicating more robust regulations beyond climate, a credible transition plan should address sustainability in a holistic manner that is integrated into core business processes and financial planning. With the coverage of carbon pricing mechanisms and pricing levels expected to increase, an internal carbon price can help businesses with financial analysis and risk management.

Greenwashing

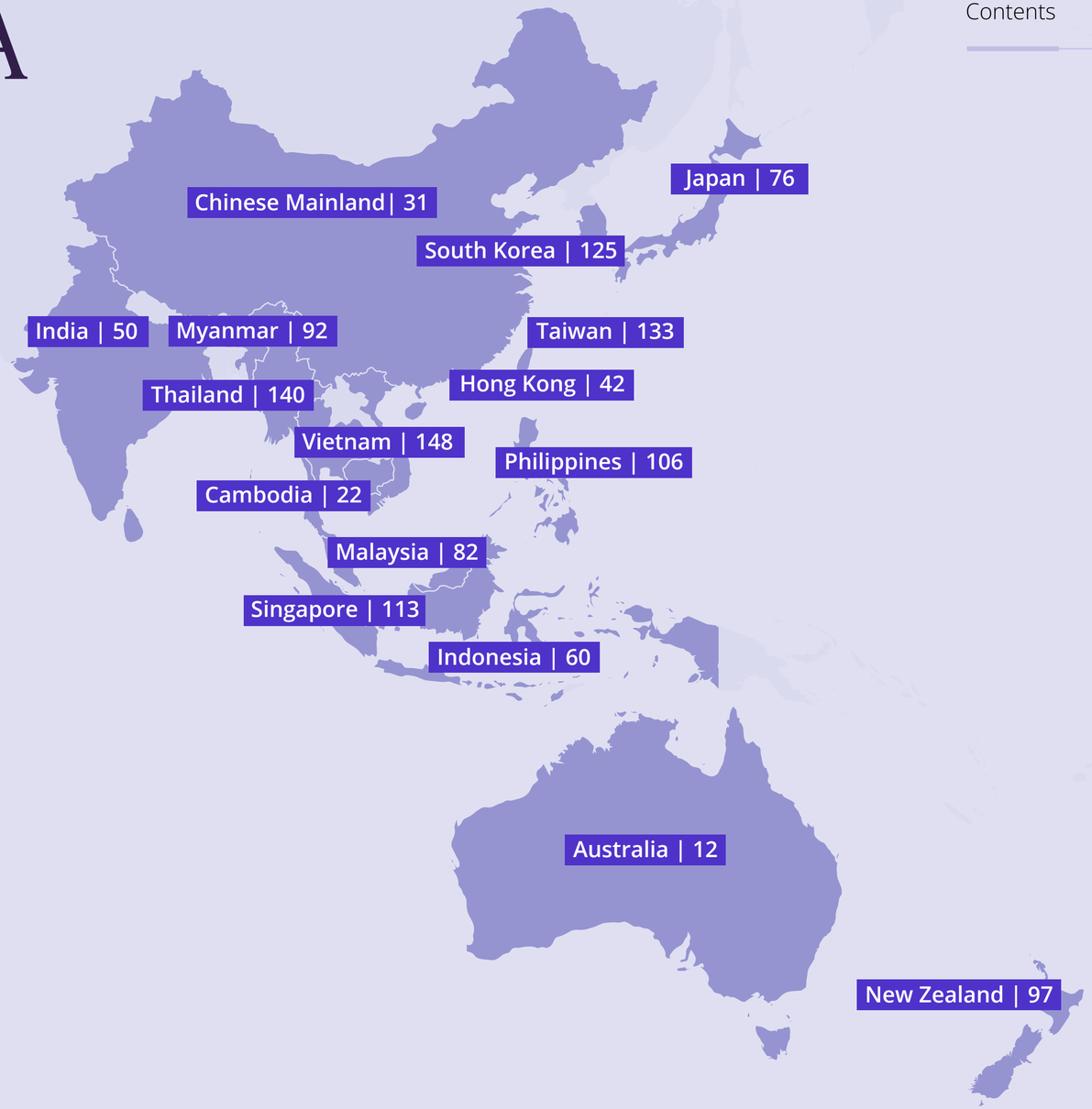
- **Greenwashing-related regulatory enforcement** remains the most active in Australia and South Korea. The Australian Competition and Consumer Commission commenced further cases in 2025 concerning "renewable gas" and "reef-friendly" claims. In South Korea, over 13,000 cases of unfair environmental labelling and advertising were detected over a five-year period resulting primarily in administrative guidance, and the Korean Fair Trade Commission issued warnings and corrective orders against major brands and a steel company for unsubstantiated eco-friendly claims.
- **The scope of sustainability-related scrutiny has been broadening beyond traditional product greenwashing**. Australia saw emerging developments in "blue" washing (social responsibility) cases, with an Australian NGO commencing Federal Court action relating to modern slavery statements made by Kmart Australia. An advocacy group commenced the first Australian private greenwashing action in 2021 concerning an energy company's climate claims and net zero target - however, the Federal Court of Australia recently dismissed all claims (subject to appeal). In Singapore, a climate activist group filed complaints with SGX against a bank for potentially misleading disclosures regarding its exposure to coal-fired power plants and its transition plan – however this has not resulted in formal public enforcement action to date. In Malaysia, an environmental watchdog filed what is described as the country's first climate litigation, seeking judicial reviews against government ministries for failing to investigate complaints of misleading "carbon neutral" claims by Shell Malaysia. The applications remain at leave stage.
- **Climate accountability** - the New Zealand Supreme Court's decision in *Smith v Fonterra Co-operative Group Ltd* marks one of the first times in the common law world that a court has recognised an arguable possibility that tort law can be used to challenge the GHG emissions of private entities. However, the New Zealand government is taking legislative action to prevent findings of tortious liability for climate change damage caused by GHG emissions.
- **Regulatory frameworks** are being strengthened, though dedicated greenwashing laws remain rare. South Korea has announced plans to clarify and expand its substantiation regime for environmental labelling and advertising. Japan revised its Guidelines for Environmental Representations in March 2026 - the first revision in 13 years. Taiwan announced plans to introduce anti-greenwashing guidelines for sustainability awards and labels by end-2026.

What this means for businesses

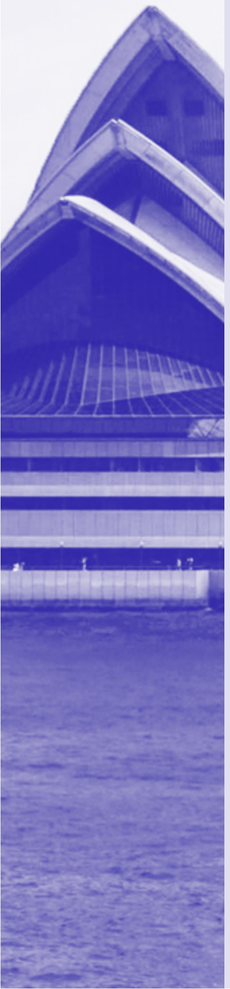
Examples of significant sustainability-related litigation and regulatory action remain limited outside of a handful of jurisdictions, but there are growing developments. We expect proceedings, actions and scrutiny to encompass traditional product greenwashing but also potentially broaden to climate and transition plan reporting and supply chain / social impact statements to reflect the growing regulations in these areas. Businesses should prepare for the heightened scrutiny that mandatory sustainability reporting will bring and anticipate broader categories of sustainability-related claims and complaints.

Jurisdictional Q&A

Please click on the map to navigate the Q&A.



Australia



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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Australia.

ESG in APAC – Australia
By Gilbert + Tobin

Year in review
(1 July 2025 to 30 June 2026)

- The first wave of entities lodging sustainability reports under Australia's mandatory IFRS S2-aligned climate-related financial disclosure regime, and early observations from those reports.
- The Federal Court of Australia's judgment in *Australasian Centre for Corporate Responsibility v Santos Limited* [2026] FCA 96, dismissing an advocacy group's claims in the first Australian private greenwashing action concerning climate claims and a net zero target, subject to appeal.
- Continued regulatory focus on sustainability-related claims and disclosures, including the Australian Competition and Consumer Commission's commencement of further greenwashing proceedings.
- The passage of the Environment Protection Reform Act 2025 (Cth) which will reshape oversight of national environmental approvals, national environmental standards and nature-related project assessment settings under the Environment Protection and Biodiversity Conservation Act 1999 (Cth).
- The Australian Government's adoption of a 2035 emissions reduction target of 62% to 70% below 2005 levels, release of the Net Zero Plan and sector plans, and expansion of the Capacity Investment Scheme to support 40 GW of renewable generation and dispatchable capacity.
- The continued development of sustainable finance policy, including voluntary implementation of the Australian Sustainable Finance Taxonomy, consultation on transition planning guidance and sustainable investment product labels, and incentives for renewable hydrogen and critical minerals processing.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   ESG disclosure requirements are primarily aimed at large companies and listed companies:

   (a) The National Greenhouse and Energy Reporting Act 2007 (Cth) (**NGER Act**) requires companies that meet certain thresholds relating to GHG emissions and production and consumption of energy to provide yearly reports relating to the GHG emissions from particular sources, energy production and energy consumption.

   (b) The Corporations Act 2001 (Cth) (**Corporations Act**) requires most entities that prepare Chapter 2M financial reports under the Corporations Act[1] or are reporting entities under the NGER Act[2] to submit annual sustainability reports (on a phased-in basis from 1 January 2025 until 1 July 2027)[3], including a climate statement containing the disclosures required by the Australian Accounting Standards Board (**AASB**) S2 Climate-related Disclosures (**AASB S2**), relating to the entity's climate-related governance, risk management, strategy, metrics and targets (**climate-related financial disclosures**).

   (c) The Modern Slavery Act 2018 (Cth) (**Modern Slavery Act**) requires entities based, or operating, in Australia, which have an annual consolidated revenue of more than AU$100 million, to report annually on the: (i) risks of modern slavery in their operations and supply chains; and (ii) actions to address those risks.

   (d) The Workplace Gender Equality Act 2012 (Cth) requires private sector and Commonwealth public sector employers with 100 or more employees to lodge gender equality data with the Workplace Gender Equality Agency (**WGEA**) each year between 1 April and 31 May. In March 2026, WGEA released private and Commonwealth public sector employer gender pay gaps together for the first time, and employers that directly employ 500 or more employees must now select and meet, or demonstrate improvement against, gender equality targets and maintain policies or strategies for each of the six gender equality indicators.

   (e) For listed companies on the Australian Securities Exchange (**ASX**), the ASX Listing Rules require all listed entities to publish annually a corporate governance statement disclosing the extent to which the entity has followed the recommendations set by the ASX Corporate Governance Council during the reporting period. Recommendation 7.4 of the ASX Corporate Governance Council's Principles and Recommendations states that "a listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks". The ASX Corporate Governance Council is currently consulting on a fifth edition of its Corporate Governance Principles and Recommendations, which refers to the impact of climate change-related risk and advises entities to consider ongoing developments in sustainability standard setting when making disclosures under Recommendation 7.4.

   In addition, Australian regulators have released guidance that incorporates ESG-related disclosures:

   (f) Australian Securities and Investments Commission (**ASIC**) has published: (i) the Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors (**RG 228**); (ii) the Regulatory Guide 247: Effective disclosure in an operating

1 Chapter 2M captures large entities that meet at least two of the following three thresholds at the end of the financial year: consolidated revenue of AU$50 million or more, consolidated gross assets of AU$25 million or more, and 100 employees or more.

2 Reporting entities under the NGER Act are corporations registered under the NGER Act that meet the following thresholds for the financial year: 50 kt of GHG emissions, 200 TJ of energy produced, or 200 TJ of energy consumed.

3 The first group of reporting entities with obligations commencing from 1 January 2025 are those that meet two of the following three thresholds for the financial year: consolidated revenue of AU$500 million or more, consolidated gross assets of AU$1 billion or more, and 500 employees or more. Asset owners with AU$5 billion or more of assets under management will also be captured within the second group of reporting entities.

and financial review (**RG 247**); and (iii) the Regulatory Guide 280: Sustainability Reporting (**RG 280**). RG 228 and RG 247 incorporate physical and transitional climate-related risks, as identified by the TCFD and AASB S2, into the list of examples of common risks that may need to be disclosed in a prospectus and other reporting materials, and highlight climate change as a systemic risk that could impact an entity's financial prospects for future years and that may need to be disclosed in an operating and financial review. RG 280 addresses how entities should disclose climate-related financial information in annual sustainability reports and other materials.

(g) Australian Prudential Regulation Authority (**APRA**) has released the Prudential Practice Guide: CPG 229 Climate Change Financial Risks, which outlines prudent practices in relation to climate change financial risk management. Specifically, the guide provides guidance, sets out examples of better practice and aims to assist institutions in managing climate-related risks and opportunities.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

The NGER Act contains mandatory disclosures in relation to GHG emissions and energy consumption.

The Corporations Act requires mandatory climate-related financial disclosures by in-scope entities that prepare Chapter 2M financial reports or are reporting entities under the NGER Act. Broadly speaking, these encompass public companies, large proprietary companies, and disclosing entities or those in GHG or energy-intensive sectors.

The disclosures required by the Modern Slavery Act are also mandatory.

If a listed entity does not follow a particular recommendation of the ASX Corporate Governance Council, it is required to disclose that fact and provide the reasons why.

4. Which aspects of ESG do the requirements focus upon?

For listed companies, environmental, social and governance aspects are all covered.

For companies covered by the NGER Act, the focus is on climate.

For companies preparing sustainability reports under the Corporations Act, the focus is on climate-related financial disclosures (at least at this stage). The Government has indicated that sustainability reporting will focus on climate first, but not last, with other sustainability criteria anticipated to be included in the future.

For companies covered by the Modern Slavery Act, the focus is on social and supply chain risks.

The regulatory guidance that has been released primarily focuses on the environment, and in particular climate change and climate-related financial disclosures.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The reporting requirements under the NGER Act have been developed to be consistent with the 2006 IPCC Guidelines for National Greenhouse Gas Inventories.

The climate-related financial disclosure requirements under the Corporations Act require the preparation of a climate statement in accordance with the AASB S2, which has been developed in close alignment with IFRS S2.

In December 2025, following the ISSB's targeted amendments to IFRS S2, the AASB issued the AASB S2025-1 Amendments to Greenhouse Gas Emissions Disclosures, which amends AASB S2 to provide additional relief and clarifies existing relief from specific GHG disclosure requirements in line with the ISSB S2 December 2025 Amendments. The amendments apply to annual periods beginning on or after 1 January 2027, with earlier application permitted.

The ASX Corporate Governance Council's Principles and Recommendations encourage entities to disclose any material exposure to environmental risks by reference to the TCFD Recommendations.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

The climate-related financial disclosure regime (see section A.2 above) adopts a single materiality approach in line with the ISSB Standards. If there is no impact on the company from climate-

related issues, then the company is required to state that in its sustainability report.

A double materiality approach can be considered but is not currently required.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

Yes, the NGER Act requires companies that meet certain thresholds relating to GHG emissions and production and consumption of energy to provide yearly reports relating to Scope 1 and Scope 2 GHG emissions from particular sources, energy production and energy consumption. The National Greenhouse and Energy Reporting (Measurement) Determination 2008 provides the methods and criteria for calculating GHG emissions and energy data under the NGER Act.

The climate-related financial disclosure regime in Australia also requires in-scope entities to disclose any metrics and targets relating to climate that are required to be disclosed by the AASB S2, including Scopes 1, 2 and 3 GHG emissions (and financed emissions). The definitions of Scopes 1, 2 and 3 GHG emissions in the AASB S2 are aligned with the ISSB Standards. The AASB S2 also provides that Scope 3 GHG emissions disclosures are to include details of financed emissions, being the portion of GHG emissions of an investee or counterparty attributed to the loans and investments made by an entity to the investee or counterparty.

In relation to Scope 3 GHG emissions, the AASB S2 provides that entities will not be required to disclose exact data or detailed information that cannot be easily provided by their customers or suppliers. Entities will also only be required to disclose Scope 3 emissions from their second reporting year onwards.

However, approximately half of the top 50 ASX listed entities have set targets and are already reporting on their Scope 3 GHG emissions with varying degrees of detail.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

The Corporations Act requires sustainability reports containing climate-related financial disclosures to be subject to mandatory audit and assurance requirements, in accordance with the Auditing and Assurance Standards Board's auditing standards ASSA 5000 General Requirements for Sustainability Assurance Engagements and ASSA 5010 Timeline for Audits and Reviews of Information in Sustainability Reports under the Corporations Act. There will be a phased-in approach for the auditing of sustainability reports, with a progressive assurance phasing-in regime for in-scope entities until 1 July 2030, starting with limited assurance and progressing to reasonable assurance.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

Many companies make ESG disclosures in their annual reports by reference to the TCFD Recommendations, the ISSB Standards or other international standards (such as the SASB Standards or the GRI Standards). Companies can also choose to report further information in sustainability reports under the Corporations Act or in any other materials, in accordance with the AASB's voluntary standard, the AASB S1 General Requirements for Disclosure of Sustainability-related Financial Information.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

In June 2025, the Australian Government and Australian Sustainable Finance Institute (**ASFI**) released the first version of the Australian Sustainable Finance Taxonomy (**Taxonomy**). The Taxonomy was developed following two rounds of public consultation and extensive industry and expert input.

The Taxonomy comprises technical screening criteria addressing climate change mitigation actions for six priority economic sectors: electricity generation and supply; minerals, mining and metals; construction and the built environment; manufacturing and industry; transport; and agriculture and land. In addition, the Taxonomy sets out criteria requiring that activities do not cause significant harm to other environmental objectives, such as adaptation and pollution, and the entity meets robust minimum social safeguards at the corporate level.

The adoption and use of the Taxonomy is not compulsory. However, it is anticipated to become a market standard for sustainable finance, and ASFI is piloting the Taxonomy

with financial institutions and has released guidance for Taxonomy-aligned use-of-proceeds debt. In addition, ASFI has recommended that reporting on Taxonomy alignment should be mandatory where users are seeking to make claims regarding the sustainability objectives covered by the Taxonomy.

The Taxonomy will also assist reporting entities with preparing climate-related financial disclosures for sustainability reports under the Corporations Act.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Yes, while there are no formal proposals for new TNFD-aligned reporting standards yet, we expect to see an increasing focus on nature-related disclosures in Australia.

The Australian Department of Climate Change, Energy, the Environment and Water (**DCCEEW**) has expressly announced its support of the TNFD framework, including as a strategic funding partner. In 2023, DCCEEW published TNFD Pilots – Australian case study report and value chain deep-dive guidance for Australian businesses in specific industries. We expect dialogue on nature-related disclosures to continue in Australia, particularly alongside the Nature Positive reforms and the development of national environmental data and reporting functions within Environment Information Australia.

12. Other upcoming developments / direction of travel

Climate vulnerability assessments (**CVAs**) could also play an increasing role in Australia's ESG reporting landscape, particularly for businesses in the financial sector. In 2021, APRA launched a CVA of Australia's five largest banks to assess the nature and possible impact of climate-related financial risks on banks' lending. The CVA focused on transition and physical climate risks arising in Australia which could directly impact Australian lending. APRA also announced that it will consider extending the CVA to include insurance and superannuation sectors in the future.

In 2025-26, regulatory and market attention has increasingly shifted from preparation for mandatory reporting to first-year implementation, board governance, data quality, materiality judgements and assurance readiness, following the first sustainability reports lodged by Group 1 entities.

The first wave of sustainability reports has already seen an overall increase in the quantity and quality of climate-related financial information in the market compared to previous voluntary disclosures.

In its published early observations, ASIC has noted this increase in overall information and identified opportunities where the quality of reporting can be further strengthened, including:

(a) appropriate use of disclaimers;

(b) clear, effective and proximate disclosures of relevant judgements, assumptions and areas of measurement uncertainty; and

(c) ensuring additional information does not obscure material climate-related financial information.

Consistent with its 2025 enforcement priorities (see section C.4 below), ASIC has indicated that it will take a pragmatic and proportionate approach to reviewing first-year sustainability reports, focusing on the reasonableness of entities' governance processes and judgements rather than the perfection of first-year disclosures.

Separately, in December 2024, the Australian Government released its response to the 2023 report of the statutory review of the Modern Slavery Act. In its response to the report, the Government agreed in full or in principle to 25 of the 30 recommendations put forward by the report of the statutory review.

Notably, the Australian Government has appointed an Anti-Slavery Commissioner and agreed in principle to expand the mandatory reporting criteria, introduce penalties for non-compliance with reporting requirements, and to undertake further consultation on amendments to enhance the due diligence requirements.

The Government has also consulted on civil penalties for key reporting failures and, in July 2026, announced a proposed criminal "failure to prevent" modern slavery offence for

companies with annual consolidated revenue over AU$100 million, subject to a reasonable steps defence. Further consultation is expected to inform the design of that offence, associated enforcement options and possible victim remedies.

While the Government has not yet committed to other amendments to the Modern Slavery Act, its response and the ongoing consultation on strengthening the Act indicate that reforms to reporting criteria, penalties and due diligence obligations remain a live policy development.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes, Australia has a legislated target to reduce its GHG emissions to 43% below 2005 levels by 2030 as well as to reach net zero by 2050.

   The Australian Government has also set a renewable electricity target of 82% by 2030.

   In September 2025, the Government announced a 2035 emissions reduction target of 62% to 70% below 2005 levels and submitted its updated NDC under the Paris Agreement reflecting that target.

   The Government also released its Net Zero Plan and six sector emissions reduction plans in 2025, setting out the policy framework for a fair, orderly and efficient transition to net zero.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   ### Carbon Trading Scheme

   Yes, the mandatory Safeguard Mechanism requires designated large facilities to keep their Scope 1 GHG emissions at or below their set baseline. In 2023, Australia reformed the Safeguard Mechanism, introducing declining baselines for facilities and new Safeguard Mechanism Credits (**SMCs**) to be issued to a facility whose GHG emissions are below its baseline. Each SMC is equal to one tCO_2e and may be traded to other large facilities to reduce their net emissions in order to meet their baseline. The Australian Carbon Credit Unit (**ACCU**) Scheme enables landholders, communities and businesses to voluntarily run projects that avoid, reduce or remove GHG emissions from the atmosphere. Such projects can generate tradeable ACCUs which represent one tCO_2e stored or avoided by a project.

   ### Carbon Taxes

   No, Australia does not currently have a carbon tax or carbon price. Whilst a carbon tax was introduced in Australia in 2012, it was the subject of divisive political debate and was ultimately removed by a subsequent government in 2014. Neither major party has proposed to reintroduce a carbon pricing scheme since then. In the absence of an economy-wide carbon price, and any indication that one may be forthcoming in Australia, a shadow carbon price has recently been proposed by the Australian Energy Market Commission (**AEMC**).

   In March 2024, a report released by the AEMC on "How the National Energy Objectives Shape Our Decisions" announced that its future decisions will be based upon a shadow price on carbon, which will be set initially at AU$70 per tonne. A shadow price is not a cost to be paid by emitters, like a carbon price or tax. Rather, it is an estimate of how much each tonne of CO_2 equivalent costs the world, collectively. This cost will be included in the AEMC's calculation of benefits and costs of energy-related rule changes, for example, transmission network rules to make it easier for new wind and solar projects to connect to the electricity grid. The shadow price is expected to increase to AU$420 per tonne by 2050, in line with Australia's target to achieve net zero emissions.

   ### CBAM

   There is currently no CBAM in Australia. In July 2023, the Australian Government formally commenced a review of carbon leakage as part of the Safeguard Mechanism reviews. In November 2024, a consultation paper was published finding that a CBAM, similar to the one implemented in the European Union in May 2023, could be applied to imports of selected Safeguard-covered commodities with high carbon leakage risks.

   The Government has not formally responded to the Carbon Leakage Review paper, meaning that the recommendations do not reflect official government policy. However, it indicates that there may be appetite for a CBAM for a limited number of sectors in Australia in the future.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   It is not mandatory to have a transition plan. However, under the new climate-related financial disclosure regime, entities are required to include details about their strategy for managing climate-related risks and opportunities, including information about their transition plans (if any), within their sustainability report.

   The Australian Treasury announced in its Sustainable Finance Roadmap, published in June 2024, that it would develop and publish best practice guidance for the disclosure of corporate transition plans – this was originally targeted for the end of 2025. The Treasury released a consultation paper on climate-related transition planning guidance on 15 August 2025, with consultation closing on 24 September 2025.

   The recently released Taxonomy (see section A.10 above) is also expected to inform how businesses prepare and disclose transition plans moving forward.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   Companies are not generally required to set climate-related targets. However, under the climate-related financial disclosure regime, in-scope entities that have set climate-related targets are required to disclose information about those targets and how they have been set and have been, or are being, met. ASIC has also reminded entities that "climate-related targets" under AASB S2 include targets that the entity is required to meet by law or regulation, such as GHG emission reductions under the Safeguard Mechanism.

   In addition, under the Safeguard Mechanism, covered facilities have an obligation to keep their Scope 1 GHG emissions at or below their set baseline (see section B.2 above). The reforms to the Safeguard Mechanism have introduced "baseline decline rates" for standard and landfill facilities, which have been set at 4.9% per year for most covered facilities. This means that those facilities' baseline emissions, being their maximum level of permitted Scope 1 GHG emissions, will decline by 4.9% each financial year through to 30 June 2030.

   Carbon credits can be surrendered by entities to manage any excess emissions to stay within their baseline. There are currently no limits on facilities' ability to surrender ACCUs or SMCs to meet their declining baselines.

   Entities and individuals, both within and outside the scope of the Safeguard Mechanism, may also choose to voluntarily purchase and cancel ACCUs and other types of carbon offsets, to meet social responsibility and sustainability goals, or other targets.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   Australia does not yet have a single economy-wide mandatory circular-economy regime. Existing product stewardship arrangements under the Recycling and Waste Reduction Act 2020 (Cth) may be voluntary, mandatory or shared with industry, and the Australian Packaging Covenant continues to operate as a co-regulatory arrangement focused on sustainable packaging design, recycling rates and litter reduction.

   Mandatory circular-economy requirements are under active development for packaging. DCCEEW is progressing reforms following consultation on options including a national extended producer responsibility scheme, mandatory packaging design obligations, minimum recycled content requirements, restrictions on chemicals of concern and mandatory recyclability labelling.

   In March 2026, Commonwealth, state and territory Environment Ministers also commissioned a circular economy roadmap by mid-2026 and asked officials to develop options for nationally consistent product stewardship arrangements, with an initial focus on batteries and packaging. These reforms are expected to affect packaging producers, retailers, consumer goods businesses, battery brand owners and resource recovery participants.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   Australia does not currently have an economy-wide corporate sustainability due diligence regime equivalent to the EU's CSDDD. The principal Commonwealth human rights supply chain obligation remains the Modern Slavery Act, which is a mandatory reporting and transparency regime rather than a general duty to prevent or remediate value-chain harms.

However, due diligence requirements remain under consideration. The Government response to the statutory review agreed in principle to consult on amendments to enhance due diligence requirements, and the Attorney-General's Department consulted between 21 July 2025 and 1 September 2025 on strengthening the Modern Slavery Act.

The Australian Anti-Slavery Commissioner has also been established as an independent statutory office holder under the Modern Slavery Act, with functions including promoting compliance with the Act and working with government, business, civil society and the broader community to address modern slavery.

Coles, a large Australian retailer, has disclosed modern slavery-related incidents and grievances through its modern slavery reporting. In its 2025 Modern Slavery Statement, Coles reported that it investigated 17 grievances raised through its grievance mechanisms, including allegations of underpayment by a services supplier which were substantiated and remediated through repayments, and an open investigation into allegations in its direct fresh produce supply chain concerning undocumented workers engaged in forced labour and forced overtime.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

The Australian Government's Sustainable Finance Roadmap remains the central policy framework for sustainable finance reform. Key measures include mandatory climate-related financial disclosures, the Taxonomy, transition planning guidance, sustainable investment product labelling workstreams and continued development of Australia's sovereign green bond programme.

The Government has also implemented direct transition and industrial policy support through Future Made in Australia, including a hydrogen production tax incentive of AU$2 per kilogram of eligible hydrogen and a critical minerals production tax incentive, together with grants and programmes for renewable hydrogen, green metals, low-carbon liquid fuels, solar manufacturing and battery manufacturing.

For electricity infrastructure, the Capacity Investment Scheme provides a Commonwealth revenue underwriting mechanism intended to accelerate investment in renewable generation and clean dispatchable capacity, with the target increased in July 2025 to 40 GW of new capacity by 2030.

8. Other upcoming developments / direction of travel

Although transition plans are not currently mandatory, we expect continued movement towards more detailed transition planning, finance and governance expectations through the Treasury's transition planning guidance workstream, the Taxonomy, ASIC's scrutiny of first-year sustainability reports and market practice following *ACCR v Santos*. The direction of travel is also towards stronger supply chain transparency and potential due diligence obligations under the Modern Slavery Act, increased nature and biodiversity regulation through the Environment Protection Reform Act 2025 (Cth) (**EPR Act**), and more nationally consistent circular economy and product stewardship requirements.

The EPR Act is expected to have a significant impact on businesses that require approvals for projects with potential impacts on matters of national environmental significance. Key features include:

(a) the establishment of a new national environmental protection regulator on 1 July 2026 responsible for administering approvals and compliance and enforcement functions under the Environment Protection and Biodiversity Conservation Act 1999 (Cth);

(b) the introduction of legally binding National Environmental Standards to guide and constrain decision-making;

(c) streamlined assessment and approval pathways (including accreditation arrangements with the States and Territories); and

(d) enhanced monitoring, compliance and enforcement powers, including increased penalties for non-compliance.

For businesses in the resources, infrastructure, agriculture and property sectors in particular, this is likely to mean more standardised, but potentially more rigorous, environmental impact assessment processes and increased scrutiny of nature-related impacts, complementing the voluntary TNFD-aligned disclosure trend (see section A.11 above).

The precise scope, commencement timing and transitional arrangements will depend on subsequent subordinate legislation and machinery-of-government arrangements, which businesses should monitor closely.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   Yes.

   ### ASIC's crackdown on financial services

   In March 2024, the Federal Court of Australia found that Vanguard Investments Australia Ltd (**Vanguard**) made false or misleading representations and engaged in conduct that was liable to mislead the public in relation to an "ethically conscious" fund offering in breach of the Australian Securities and Investments Commission Act 2001 (Cth) (**ASIC Act**). ASIC alleged, and the Court upheld, that Vanguard had made false or misleading representations that one of its funds was of an ethically conscious standard, with securities screened against specific ESG criteria before inclusion in the fund. The Court ordered Vanguard to pay a penalty in the amount of AU$12.9 million. This was ASIC's first successful greenwashing civil penalty action and puts ASIC towards the top of the list of financial regulators globally taking enforcement action to combat greenwashing.

   In June 2024, the Federal Court of Australia found that LGSS Pty Ltd, as the trustee of the superannuation fund known as Active Super, made false or misleading representations and engaged in conduct liable to mislead the public in relation to its ESG credentials. Specifically, ASIC alleged, and the Court found, that Active Super made false or misleading representations by claiming in its marketing materials that it would not invest in companies associated with gambling, tobacco, oil tar sands, coal mining or in Russian companies, where there was evidence to the contrary. The Court imposed a penalty of AU$10.5 million against Active Super.

   In August 2024, the Federal Court of Australia found that Mercer Superannuation (Australia) Limited (**Mercer**) breached the ASIC Act by engaging in conduct that was liable to mislead the public and by making false or misleading representations about sustainable and environmentally friendly superannuation investment options marketed to its members. ASIC alleged that Mercer had made several representations that its "Sustainable Plus" investment options would exclude companies relating to the production and sale of alcohol, gambling and fossil fuels, where there was evidence to the contrary. Mercer admitted to the contraventions and agreed to the Court imposing a penalty of AU$11.3 million.

   ### Sustainability claims challenged under consumer protection laws

   The broader sustainability claims trend is not limited to financial products.

   In April 2024, the Australian Competition and Consumer Commission (**ACCC**) initiated its first greenwashing proceedings in the Federal Court of Australia, against Clorox Australia Pty Ltd (**Clorox**) for allegedly making false or misleading representations that its GLAD branded kitchen tidy and garbage bags are made of 50% ocean plastic. Clorox admitted to the misrepresentations and the Court imposed a total penalty of AU$8.25 million for making false or misleading representations in breach of the Australian Consumer Law.

   In June 2025, the ACCC commenced Federal Court proceedings against Australian Gas Networks Limited, alleging false or misleading representations in its "Love Gas" campaign that the gas distributed to households on its network would be renewable within a generation. In July 2025, the ACCC also commenced proceedings against Edgewell Personal Care Australia Pty Ltd and its US parent concerning "reef friendly" sunscreen claims.

   In 2021, the Australasian Centre for Corporate Responsibility (**ACCR**) commenced proceedings in the Federal Court of Australia against gas company Santos Limited (**Santos**), alleging greenwashing in relation to Santos' strategy for achieving "net zero" for Scopes 1 and 2 GHG emissions by 2040. On 17 February 2026, the Federal Court handed down judgment, dismissing each of ACCR's claims concerning allegedly misleading or deceptive statements in Santos' 2020 Investor Day Presentation, 2020 Annual Report and 2021 Climate Change Report. The judgment is subject to appeal by ACCR.

   The ACCC's recent matters also cover consumer-facing energy, consumer goods and environmental donation or conservation-related claims, including proceedings concerning "Tree Day Tuesday" donation representations by Grill'd.

'Blue' washing (social responsibility) cases

Modern slavery and forced labour issues are also increasingly being framed through misleading conduct and sustainability-claims lenses. In August 2025, the Australian Uyghur Tangritagh Women's Association commenced Federal Court action seeking documents from Kmart Australia (**Kmart**) to determine whether Kmart had adequately implemented its ethical sourcing procedures in relation to two suppliers with alleged links to the Xinjiang Uyghur Autonomous Region, and whether its public ethical sourcing statements were misleading or deceptive. Kmart has denied the allegations.

2. Are there any laws or regulations specifically dealing with greenwashing?

In Australia, there are laws prohibiting the making of false and misleading statements which may include greenwashing:

(a) The Corporations Act prohibits making statements (or disseminating information) that are false or misleading, or engaging in dishonest, misleading or deceptive conduct in relation to a financial product or financial service.

(b) The Australian Consumer Law prohibits engaging in misleading or deceptive conduct in trade or commerce and also prohibits a person from making false or misleading representations about goods or services.

(c) The ASIC Act prohibits engaging in misleading or deceptive conduct in trade or commerce in relation to financial services.

(d) ASIC has also published guidance for responsible entities of managed funds, corporate directors of corporate collective investment vehicles, and trustees of registrable superannuation entities, outlining key factors to consider when promoting a financial product or investment strategy as environmentally friendly, sustainable or ethical.

The ACCC also released in December 2023 a guidance for businesses on making environmental claims, enshrining eight principles to help businesses ensure their environmental marketing and advertising claims are clear and accurate, and not misleading. In December 2024, the ACCC finalised further guidance on sustainability collaborations and Australian competition law to help businesses who wish to collaborate to improve sustainability outcomes. ASIC has also published RG 280, addressing sustainability-related financial disclosures outside sustainability reports as well as annual sustainability reports.

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Likely grounds include:

(a) misleading or deceptive conduct under the Corporations Act, the Australian Consumer Law or the ASIC Act;

(b) breaches of mandatory sustainability reporting requirements, including incorrect, incomplete or misleading sustainability reports, and the exercise of ASIC's directions power; and

(c) breaches of directors' duties, including where directors fail to exercise care and diligence in relation to climate-related risks, opportunities, systems, controls and sustainability reporting disclosures.

4. Other upcoming developments / direction of travel

The ACCC continues to prioritise consumer, fair trading and competition concerns in relation to environmental claims and sustainability, with a focus on greenwashing. ASIC identified greenwashing and misleading conduct involving ESG claims as a 2025 enforcement priority and, as mandatory sustainability reporting matures, has indicated that it will take a pragmatic and proportionate approach while reviewing first-year reports and using its directions power where necessary.

We expect sustainability-related proceedings and regulatory action to continue expanding beyond traditional product greenwashing to encompass climate reporting, transition planning, net zero and "clean energy" claims, nature-related claims, supply chain and social-impact representations, and directors' governance of sustainability reporting. The *ACCR v Santos* judgment provides important guidance on the role of context, target audience, uncertainty and reasonable grounds in assessing forward-looking climate claims, but it does not remove the need for contemporaneous evidence, clear qualifications and board-level governance of sustainability disclosures.

Cambodia

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Cambodia.

ESG in APAC – Cambodia
By Bun & Associates

Year in review
(1 July 2025 to 30 June 2026)

- The Directive on Environmental, Social and Governance Disclosure became effective on 10 May 2026, introducing mandatory ESG disclosure obligations for companies listed on the Cambodia Securities Exchange.
- In April 2026, the National Bank of Cambodia launched the country's first Sustainable Finance Taxonomy for the Cambodian banking sector, initially covering the energy, transport and buildings and construction sectors.
- On 26 October 2025, Cambodia and the United States signed the Agreement on Reciprocal Trade, which includes commitments on labour rights, prohibition of forced-labour imports, supply chain resilience and effective enforcement of environmental laws. Shortly after the end of the review period under the agreement, Cambodia issued an Inter-Ministerial Regulation on the Prohibition of Imports of Goods Using Forced Labour on 1 July 2026, establishing a regulatory framework to prohibit the import, use, circulation and supply of goods linked to forced labour. This represents a significant step in Cambodia's efforts to promote responsible trade practices and may result in increased regulatory scrutiny of supply chain compliance going forward.

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Yes. Companies listed on the main board of the Cambodia Securities Exchange (**CSX**) (**Listed Companies**) are subject to certain ESG disclosure obligations. The requirements are described in section A.2 below.

To the best of our knowledge, there is presently no specific mandatory legislation or regulation focusing on ESG disclosures for non-listed companies. Legislative requirements on corporate ESG disclosures in Cambodia are limited outside of Listed Companies, and the understanding of ESG and its focus are varied, but there are various mandatory disclosures at the project level as outlined in section A.2 below.

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

Listed Companies

Under the recently adopted Prakas on ESG Disclosure[1], Listed Companies are required to make ESG disclosures, effective from 10 May 2026. The Prakas outlines two disclosure elements. Table A sets out mandatory disclosures on the "environmental and social risks and impacts" faced by and attributable to Listed Companies, as well as their strategy for addressing them, including key metrics and targets. The mandatory disclosures also include corporate social impacts (e.g. policies on forced labour and collaboration with local communities), environmental impacts (e.g. water use), and climate impacts (e.g. Scope 1 and Scope 2 GHG). Table B presents optional disclosures. Listed Companies may provide supplementary disclosures in Table B as deemed necessary.

These disclosures must be made publicly accessible. The first set of such disclosures will be incorporated into Listed Companies' annual reports in 2027, covering key activities, targets and metrics for 2026. Where the Listed Company prepares and discloses sustainability reports based on internationally recognised frameworks and standards, these reports shall be considered compliant with the reporting template prescribed by this Prakas. The Listed Company can choose to attach the whole sustainability report or include a statement providing a link to the sustainability report in its annual report.

Issuers of sustainable finance products

The Securities Exchange Regulator of Cambodia (**SERC**) issued the Detailed Guidance for Issuing Green Bonds in Cambodia and Guidance on the Issuance of Green Bonds, Social Bonds, and Sustainability Bonds, under which an issuer of green bonds is expected to report and provide updates regarding the allocation of bond proceeds to green assets and projects, as well as the performance and implementation of such green assets and projects. However, the guidance is non-legally binding and is pending implementing regulations.

Banking sector

The Association of Banks in Cambodia, the official organisation representing the country's private banking sector, has developed the Cambodian Sustainable Finance Initiative (**CSFI**) with support from the National Bank of Cambodia and the United States Agency for International Development. Currently, there are 47 private banks and financial institutions which have voluntarily adopted the CSFI and have pledged to abide by the CSFI Implementation Guidelines, which cover environmental and social (**E&S**) reporting (internal and external) that may include reporting on E&S performance of business activities and operations (including climate reporting), the implementation of relevant standards, and the fulfilment of other E&S objectives and commitments as stated in the member's E&S policies.

Project owners

Environmental and social impact reporting requirements, including periodic update reports to the Ministry of Environment (**MOE**), apply to an owner or person in charge of development projects, regardless of sector, which involve pollution sources, industrial zones, or natural resource development activities. Examples include mining, petroleum treatment, fuel storage, cement factory, battery manufacturing, and landfill projects.

1 Prakas No. 034 on Environmental, Social and Governance Disclosure, issued by the Ministry of Economy and Finance on 10 May 2024 (**Prakas on ESG Disclosure**).

For projects falling under certain categories and thresholds, an initial or full environmental and social impact assessment of the project must be conducted and submitted as a report (**EIA Report**) to the MOE.[2]

EIA Reports must disclose environmental and social impacts, including but not limited to impacts on livelihoods of communities (that are dependent on natural resources), land use changes, and labour and working conditions, as well as mitigation measures.

Under the Code on Environment and Natural Resources[3], the MOE must ensure that information in a full or initial EIA Report is made public and that affected stakeholders and local communities can obtain sufficient and clear information.

There are public participation and access to information rights regarding project implementation, except for confidential information.

It is envisaged that regulations will be developed requiring the disclosure of climate change-related data and information in respect of development projects.

Waste dischargers

Under the Code on Environment and Natural Resources, site owners engaged in production, commercialisation or services that discharge waste at high risk of environmental pollution (through hazardous substances and hazardous waste) are required to provide immediate data reports on pollutant release or transfer to the environment. A publicly accessible environment pollution control register will be created by the MOE to track pollutant release and transfers.

However, implementation is still in progress and regulations will be developed to specify the types of entities subject to the immediate data report obligation. However, this does not necessarily mean that the obligation is not enforceable in all circumstances, as the MOE may rely on the broader legal basis under the Code to take enforcement action on a case-by-case basis.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

All the requirements described in section A.2 above are mandatory, except for the disclosure requirements under the CSFI Implementation Guidelines and the SERC guidance relating to green bonds, which are non-binding in nature.

4. Which aspects of ESG do the requirements focus upon?

For Listed Companies, the focus is on the disclosure of corporate environmental and social risks (including climate change).

For banks and financial institutions which are part of the CSFI, the focus is also on environmental and social aspects.

For projects and businesses with operations that may adversely affect the environment and natural resources, the focus is on the disclosure of environmental and social impact. It is also anticipated that the focus will expand to climate change.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The Prakas on ESG Disclosure applicable to Listed Companies stipulates that sustainability reports that are based on "internationally recognised frameworks and standards" will be considered compliant with the reporting template prescribed under such Prakas. It is understood that the government is receptive to any credible international standard. However, if any required element in Table A of the Prakas on ESG Disclosure is not covered by the chosen standard, companies may be requested to provide additional information to address those gaps.

Although the ISSB Standards do not currently apply on a mandatory basis, they have been fully adopted by the Accounting and Auditing Regulator in Cambodia, without modification, and are effective for annual reporting periods after 1 January 2024. Despite the effective date, based on our observations of their

2 Sub-Decree No. 72 on Environmental Impact Assessment, issued by the Royal Government of Cambodia on 11 August 1999 and MOE's Prakas No. 3591 on Classification of Environmental Impact Assessment for Development Project, issued by the MOE on 6 May 2025.

3 The Code on Environment and Natural Resources was promulgated by Royal Kram No. 0623/007 on 29 June 2023 and came into force on 29 June 2024 (**Code on Environment and Natural Resources**).

implementation thus far, the standards apply on a voluntary basis and are intended to assist Listed Companies, significant banks, entities required by law to produce annual financial statements compliant with the Cambodian International Financial Reporting Standards, as well as major exporting manufacturers that have tailored their compliance specifically for exporting countries.

The adoption of IFRS S1 and IFRS S2 also provides flexibility to companies that are subject to the Prakas on ESG Disclosure to prepare and present their sustainability reports by reference to IFRS S1 and IFRS S2. However, in practice, given the Prakas on ESG Disclosure adopts a double materiality approach (rather than the single materiality approach of the ISSB Standards), Listed Companies wishing to report in line with the ISSB Standards will likely need to develop a disclosure programme that satisfies both frameworks.

Although there has been no official announcement, it is understood that there are plans for the full implementation of IFRS S1 and IFRS S2 commencing in 2030 or later (depending on the type of entity).

The other requirements mentioned in section A.2 above are not expressly based on international standards.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

Listed Companies

Although the Prakas on ESG Disclosure does not explicitly provide any reference to the principle of single or double materiality, the structure and content of the disclosure elements in both Table A and Table B reflect the adoption of a double materiality approach. The disclosure requirements are intended to capture both the financial impact of ESG risks on the Listed Companies and the broader environmental and social impacts resulting from their operations.

Non-Listed Companies

For projects and businesses with operations that may adversely affect the environment and natural resources, the disclosure requirements are by nature designed to report on environmental and social impact.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

Listed Companies

Under the Prakas on ESG Disclosure, the disclosure of GHG emissions (Scope 1 and 2) is mandatory for Listed Companies, while Scope 3 is optional. The legal framework has not, at this stage, set out detailed requirements regarding the methodology for measurement. However, as mentioned, sustainability reports that are prepared based on "internationally recognised frameworks and standards" are considered compliant with the new regime.

Non-Listed Companies

To the best of our knowledge, the current regime, including the Code on Environment and Natural Resources, does not expressly require the disclosure of GHG emissions. However, as mentioned in section A.2 above, there are plans to develop climate-related reporting requirements for project owners, which could include information on GHG emissions.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

Listed Companies

The Prakas on ESG Disclosure does not require independent assurance of ESG disclosures. The boards of Listed Companies are responsible for ensuring the completeness and accuracy of ESG disclosures; however, an independent third party may be voluntarily appointed to review the completeness and accuracy of information in the prescribed tables. If an independent third party is appointed, such appointment and related details of the third party shall also be disclosed to the public.

Non-Listed Companies

Current laws and regulations do not impose requirements to obtain independent assurance of any ESG disclosure.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

The Cambodian subsidiaries of a number of multinational companies report on their ESG commitments. Corporates such as Heineken Cambodia and Smart Axiata are at the forefront of implementing a reporting structure based on the GRI Standards.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

The ASEAN Taxonomy on Sustainable Finance is a non-binding guide developed by the ASEAN Taxonomy Board (**ATB**), with Cambodia, being an ASEAN member state (**AMS**), represented on the ATB. Each AMS is expected to develop its own taxonomy based on the ASEAN Taxonomy on Sustainable Finance, as the aim is to develop a harmonised system and practice of sustainable finance across ASEAN.

As of 2025, Cambodia has not officially adopted a national ESG taxonomy. However, in April 2026, the National Bank of Cambodia launched the Sustainable Finance Taxonomy for the Cambodian Banking Sector, Version 1, which is Cambodia's first sector-specific sustainable finance taxonomy. It provides a common classification framework for identifying sustainable economic activities and is intended to support transparency, consistency and credibility in sustainable finance, as well as reduce greenwashing risk in the financial sector.

The taxonomy is currently directed at the banking sector and is intended to help banks classify green or sustainable finance activities. The first version covers energy, transport, and buildings and construction, and does not appear to impose standalone ESG disclosure obligations (e.g. for banks to report on taxonomy-alignment).

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Except for IFRS S1 and IFRS S2 (which are discussed in section A.5 above), we are not aware of any other plans to adopt international frameworks.

12. Other upcoming developments / direction of travel

The government is currently developing the Guideline on ESG Disclosures, following the adoption of the Prakas on ESG Disclosure. A public consultation was conducted in July 2025 to gather feedback from key stakeholders, particularly related authorities and Listed Companies. A timeline for finalisation of the guideline has not yet been set, as further technical input is required from relevant ministries.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. Cambodia's Long-Term Strategy for Carbon Neutrality by 2050: A Bold Move Towards Climate Paris Agreement and Sustainable Development (**LTS4CN**) primarily serves as a roadmap to accomplishing the country's objective of becoming a carbon-neutral economy by 2050, with the Forestry and Other Land Use sector providing a total carbon sink of 50 MtCO2e. This leads to a lower estimate of total GHG emissions, at around 35 MtCO2e less in 2020, compared to Cambodia's Nationally Determined Contribution.

The collection of baseline emissions information in LTS4CN is based on the following five key sectors (with key mitigation actions for each sector):

(a) Agriculture;

(b) Forestry and Other Land Use;

(c) Energy;

(d) Transportation; and

(e) Waste.

Sectoral policy instruments also support Cambodia's carbon-neutrality pathway. In the energy sector, the Power Development Master Plan 2022-2040 seeks to increase clean and renewable energy while strengthening energy security and affordability, and the National Energy Efficiency Policy 2022-2030 sets a national target to reduce total energy consumption by at least 19% by 2030. Cambodia has also adopted updated rules to facilitate rooftop solar deployment.

In the transport sector, Cambodia's strategy includes electric mobility targets, including the electrification of 70% of motorcycles and 40% of cars and urban buses by 2050. The

National Policy on Electric Vehicle Development 2024-2030 and recent customs duty reductions for electric vehicles, chargers, batteries and related components support this transition.

The National REDD+ Strategy 2017-2026 is a key sectoral policy, aiming to reduce deforestation and forest degradation, promote sustainable forest management and conservation, and support local communities. It also targets reducing annual deforestation by half compared with the 2006-2014 Forest Reference Level period by 2026.

The Circular Strategy on Environment 2023-2028 is also relevant. Its "Green" pillar includes expanding forest cover to 60% by 2050, reforestation and restoration, tree plantations in community protected areas, biodiversity conservation, and stronger protected area management. This aligns with the LTS4CN carbon neutrality pathway.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   Cambodia does not currently have any mandatory carbon pricing tools, such as carbon taxes or an ETS. Cambodia has a voluntary carbon market where the MOE acts as a seller on behalf of the Royal Government of Cambodia. This market welcomes all sectors to purchase carbon credits from any programme for Reducing Emissions from Deforestation and Forest Degradation (**REDD+ programmes**), fostering conservation and sustainable management of forests, and enhancing forest carbon stocks in Cambodia. Cambodia has raised USD11.6 million in sale proceeds from three REDD+ programmes in Keo Seima, Southern Cardamom and Prey Lang.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   Presently, there are no mandatory requirements for transition plans and/or their disclosure.

   However, it is possible that mandatory requirements for transition plans and/or their disclosure may apply to project owners under future regulations of the Code on Environment and Natural Resources.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   Presently, there are no mandatory requirements to set, meet and/or disclose climate-related targets.

   However, it is possible that such mandatory requirements may apply to project owners under future regulations of the Code on Environment and Natural Resources.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   ### EPR schemes

   Cambodia has an EPR regime for e-waste under Prakas No. 2196/0325 dated 18 March 2025.[4] The regulation requires manufacturers, importers and suppliers of electrical and electronic products to:

   (a) collect and manage post-consumer e-waste;

   (b) submit bi-annual reports on products and waste collected;

   (c) ensure treatment by licensed firms or re-export to the country of origin; and

   (d) comply with the penalty provisions outlined in the Code on Environment and Natural Resources.

   Outside e-waste, broader EPR mechanisms for plastics and packaging waste remain under development. Although strategic environment-related policy frameworks, such as the 2021 National Circular Economy Strategy and Action Plan and the

4 Prakas No. 2196/0325 on the Liabilities of Exclusive Electrical and Electronic Manufacturers, Importers or Suppliers for the Collection, and Disposal of Electrical and Electronic Waste, issued by the MOE on 18 March 2025 (**Prakas on EPR for E-Waste**).

Sustainable Consumption and Production Roadmap 2022-2035, have endorsed the concept of EPR, practical implementation has been limited.

Eco-design / product standards

Cambodia has not adopted any general mandatory eco-design regime. However, it has introduced product-related energy-efficiency requirements for electrical appliances under Sub-Decree No. 254 dated 11 August 2023 on the Management and Improvement of Energy Efficiency of Electrical Appliances. This regime provides for energy-efficiency standards, product registration and energy-efficiency labelling for electrical appliances marketed in Cambodia, whether imported or locally manufactured.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

There is currently no mandatory requirement for businesses in Cambodia to conduct human rights or environmental due diligence throughout their operations or supply chain, nor any proposal for such a law.

However, Listed Companies will be required to report on their forced labour policies under the Prakas on ESG Disclosure, and certain development projects will trigger the requirement to produce an environmental and social impact assessment for that project (with mitigation measures).

In addition, the Inter-Ministerial Prakas No. 450 MEF.PrK dated 1 July 2026 (**Joint Prakas**) established a regulatory framework to prohibit the import, use, circulation and supply of goods linked to forced labour.

Although the Joint Prakas does not establish a due diligence regime, it requires importers to provide detailed information within ten working days of receiving a notification from relevant authorities, which may include information on production processes and compliance audit reports that demonstrate the absence of forced labour. Where goods are determined to be linked to forced labour, authorities may prohibit their importation, use, circulation, and supply in Cambodia, and impose further measures on importers such as suspension of import and export activities and other measures in accordance with applicable laws and regulations.

The effect of the Joint Prakas is therefore to encourage importers, distributors, manufacturers, and businesses operating international supply chains to proactively review their sourcing and supplier due diligence procedures and maintain adequate documentation in order to demonstrate supply chain transparency and the absence of forced labour.

Cambodian exporters and suppliers, particularly in the garment and manufacturing sectors, may also be indirectly affected by foreign mandatory human rights and environmental due diligence laws where they form part of the supply chains of in-scope overseas companies.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

Cambodia's policy support for sustainable finance and investment remains at an early stage but has developed across several areas. These include climate and transition roadmaps, such as the LTS4CN and NDC 3.0; a banking-sector sustainable finance taxonomy; capital-market measures, including mandatory ESG disclosure for listed companies and guidance on green, social and sustainability bonds; voluntary sustainable finance principles for banks; investment incentives for qualified green and climate-related projects; and emerging blended or concessional finance mechanisms, such as the Cambodia Climate Finance Facility.

Cambodia's NDC 3.0 (launched in 2025) identifies mitigation, adaptation and enabling measures across key sectors and estimates financing needs of approximately USD32.2 billion in Cambodia for 2026–2035.

8. Other upcoming developments / direction of travel

Following the adoption of the Prakas on EPR for E-Waste, Cambodia has taken steps towards expanding its circular economy regime through stakeholder engagement and pilot programmes. A draft sub-decree on plastic management is currently under review, which is expected to include controls on single-use plastics and EPR components.

In the financial sector, the direction of travel is toward encouraging sustainable and transition finance. Recent developments include the launch of the Sustainable Finance

Taxonomy for the Cambodian Banking Sector in April 2026, the coverage of which is expected to expand in future iterations, and continued work to develop Cambodia's sustainable finance ecosystem through ESG disclosure, sustainable bond guidance and issuer capacity-building.

Cambodia is also showing increased attention toward supply chain issues, particularly through the Joint Prakas on the prohibition of the import, use, circulation and supply of goods linked to forced labour. While this does not establish a general corporate sustainability due diligence regime, it indicates a move toward more targeted supply chain enforcement, particularly for importers and export-oriented businesses.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

To the best of our knowledge, we are not aware of any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in Cambodia.

2. Are there any laws or regulations specifically dealing with greenwashing?

There is no law or regulation specifically dealing with greenwashing. As the notion of greenwashing involves false, misleading or deceptive action, there are laws and regulations dealing with this issue such as:

(a) Law on Consumer Protection;

(b) Criminal Code;

(c) Civil Code;

(d) Sub-Decree No. 232 on the Management of Commercial Advertising on Products and Services; and

(e) for securities traded on a securities market conducted in Cambodia:

(i) knowingly or recklessly conducting acts that create a false or misleading appearance of active trading in securities, or engaging in fictitious or artificial transactions that result in maintaining, inflating, or depressing the price of securities; and[5]

(ii) making false or materially misleading statements or disseminating information that is false or materially misleading in relation to securities trading in Cambodia including statements or information that could induce people to subscribe to, buy, or sell securities or affect the price of securities trading.[6]

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Greenwashing may be claimed under the following grounds:

(a) misrepresentation under the Civil Code;

(b) fraud under the Criminal Code;

(c) dishonest act under the Law on Consumer Protection;

(d) misleading representation under the Law on Consumer Protection; and

(e) advertisements which are misleading, deceptive, fraudulent, or likely to create confusion about the quality and safety of goods and services under Sub-Decree No. 232 on the Management of the Commercial Advertisement of Goods and Services.

For securities trading, likely grounds on which proceedings, actions or investigations can be instigated are false trading, market manipulation and false or misleading statements as mentioned in section C.2 above.

5 Article 41 of the Securities Law.

6 Article 42 of the Securities Law.

4. Other upcoming developments / direction of travel

With the commencement of the ESG disclosure regime for Listed Companies, scrutiny of corporate sustainability disclosures may be expected to increase.

Chinese Mainland

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of the Chinese Mainland.

ESG in APAC – Chinese Mainland
By JunHe LLP

Year in review
(1 July 2025 to 30 June 2026)

- The Ministry of Finance issued application guidance to supplement the Basic Standard for Enterprise Sustainability Disclosure (Trial), as well as a climate-specific disclosure standard. Together they lay the foundations for a unified sustainability disclosure standards system which is expected to be in place by 2030.
- The standards are designed to deliver functionally aligned outcomes to those under the ISSB Standards, with adjustments for China's circumstances. As with the last period of review, they remain voluntary but are expected to shift to a mandatory status on a phased basis (with the precise timing not yet confirmed).
- The Ecological Environment Code took effect in August 2026, establishing a unified legal framework governing climate, biodiversity and resource use, and setting the direction for future regulations on (a) circular economy, (b) energy conservation and green and low-carbon transition and (c) climate change response.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   In the mainland of China, general ESG disclosure requirements are primarily aimed at listed companies:

   (a) Self-regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No. 1 - Standardized Operation of Main Board-Listed Companies: (i) require listed companies included in the Shenzhen Stock Exchange 100 Index to disclose their Social Responsibility (**SR**) reports separately in accordance with the relevant provisions of the Guidelines for Standardized Operation of Listed Companies of the Exchange; and (ii) encourage other companies listed on the Shenzhen Stock Exchange to disclose their SR reports.

   (b) Self-regulatory Guidelines of the Shanghai Stock Exchange for Listed Companies No. 1 - Standardized Operation require (i) companies listed on the Shanghai Stock Exchange Corporate Governance Sector, (ii) companies simultaneously listed on both the Shanghai Stock Exchange and in jurisdictions outside the mainland of China, and (iii) financial companies to disclose their SR reports at the same time as their annual reports. Other companies listed on the Shanghai Stock Exchange are encouraged to disclose their SR reports at the same time as their annual reports.

   (c) Notice on Conducting Disclosure of 2021 Annual Reports of Listed Companies on the Shanghai Stock Exchange's Sci-Tech Innovation Board (**SSE STAR Market**) requires SSE STAR Market-listed companies to disclose ESG-related information in their annual reports, and to separately prepare and disclose ESG reports, SR reports, sustainable development reports, environmental responsibility reports, and other documents as appropriate. The companies included in the SSE STAR Market 50 Index should disclose their SR report at the same time as their annual reports; however, those which have already disclosed ESG reports are exempted from separate disclosure of SR reports. Other companies listed on the SSE STAR Market are encouraged to disclose ESG reports or SR reports at the same time as their annual reports. When preparing their ESG reports or SR reports, companies should, as a key focus, disclose actions taken to support the "carbon peak and carbon neutrality" goals and to promote sustainable development.

   (d) Self-regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No. 17 - Sustainable Development Report (Trial) require listed companies included in the Shenzhen Stock Exchange 100 Index, Growth Enterprise Index, and enterprises simultaneously listed on the exchanges in China and abroad to disclose sustainability reports that cover typical and more innovative ESG topics.

   (e) Self-regulatory Guidelines of the Shanghai Stock Exchange for Listed Companies No. 14 - Sustainable Development Report (Trial) require listed companies included in the Shanghai Stock Exchange 180 Index, STAR 50 Index, and enterprises simultaneously listed on the exchanges in China and abroad to disclose sustainability reports that cover typical and more innovative ESG topics.

   (f) Self-regulatory Guidelines of the Beijing Stock Exchange for Listed Companies No. 11 - Sustainable Development Report (Trial) stipulate similar rules as those in sections A.2(d) and (e) above for Beijing Stock Exchange-listed companies, but they are proposed to be non-mandatory at this stage.

   The guidelines mentioned in sections A.2(d) and (e) above are termed the "Sustainable Development Report Guidelines" in this chapter.

   (g) Measures for Administration of Law-based Disclosure of Environmental Information by Enterprises (the **MEE Measures**) issued by the Ministry of Ecology and Environment (**MEE**) stipulate that certain enterprises are subject to mandatory environmental disclosure requirements. These include:

   (i) key pollutant-discharging entities;

   (ii) enterprises subject to compulsory cleaner production audit;

   (iii) listed companies and their subsidiaries at all levels (to the

extent consolidated) that are subject to the provisions of Article 8(1) of the MEE Measures (e.g. companies that have breached environmental laws);

(iv) enterprises issuing enterprise bonds and corporate bonds, and non-financial enterprises issuing debt financing instruments that are subject to the provisions of Article 8 of the MEE Measures; and

(v) other enterprises that shall disclose environmental information as prescribed by laws and regulations.

(h) Basic Standard for Enterprise Sustainability Disclosure (Trial) (the **Basic Standard**) issued by the Ministry of Finance sets out general requirements for the disclosure of corporate sustainability information. The Basic Standard was issued in 2024 and is currently voluntary. It stipulates that it will apply to listed companies, other enterprises as required by regulations (which have not yet been issued) and entities that choose to disclose sustainability information voluntarily. The Basic Standard lays the foundation for a national unified sustainability disclosure system which is intended to apply in phases, from listed companies to non-listed companies, and from large enterprises to SMEs.

(i) Application Guidance to the Basic Standard for Enterprise Sustainability Disclosure (Trial) (the **Application Guidance**) issued by the Ministry of Finance in September 2025 provides practical guidance on the application of the Basic Standard, including guidance relating to value chains, connectivity of sustainability information, materiality assessment and sustainability-related financial information. The Application Guidance is currently voluntary and is intended to facilitate implementation of the national sustainability disclosure framework.

(j) Corporate Sustainability Disclosure Standard No. 1 – Climate (Trial) (the **Climate Standard**) issued by the Ministry of Finance in December 2025 sets out specific disclosure requirements for climate-related information. It is broadly aligned with IFRS S2 and forms part of China's national sustainability disclosure framework. Like the Basic Standard, the Climate Standard is currently voluntary.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

The disclosure requirements of the Shenzhen Stock Exchange and Shanghai Stock Exchange discussed in sections A.2(a), (b) and (c) are mandatory for (i) listed companies included in the Shenzhen Stock Exchange 100 Index, (ii) representative companies listed on the Shanghai Stock Exchange Corporate Governance Sector, (iii) Shanghai Stock Exchange-listed financial companies, (iv) companies listed on both the Shanghai Stock Exchange and other jurisdictions outside the mainland of China, and (v) SSE STAR Market-listed companies. They are otherwise voluntary for other listed companies on the Shenzhen Stock Exchange or Shanghai Stock Exchange.

The disclosure requirements under the Sustainable Development Report Guidelines of the Shenzhen Stock Exchange and Shanghai Stock Exchange (as discussed in sections A.2(d) and (e) above) are mandatory for (i) listed companies included in the Shenzhen Stock Exchange 100 Index, (ii) companies included in the Growth Enterprise Index, (iii) listed companies included in the Shanghai Stock Exchange 180 Index, (iv) companies included in the STAR 50 Index, and (v) companies listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange and other jurisdictions outside the mainland of China.

The Sustainable Development Report Guidelines stipulate similar rules for companies listed on the Beijing Stock Exchange, but they are proposed to be non-mandatory. There is no indication of when they may become mandatory.

The requirements under the MEE Measures on environmental disclosure are mandatory for certain enterprises as discussed in section A.2 above.

The Basic Standard, Application Guidance and the Climate Standard are currently implemented by enterprises on a voluntary basis and are anticipated to gradually shift from voluntary to mandatory disclosure. The timing for mandatory application has not yet been specified.

4. Which aspects of ESG do the requirements focus upon?

Based on the requirements of the Shenzhen Stock Exchange and Shanghai Stock Exchange as discussed in sections A.2(a) to (c) above, various ESG aspects are covered. Specifically for companies listed on the SSE STAR Market, the key focus is on their actions to support the "carbon peak and carbon neutrality" goals and promote sustainable development.

For companies subject to the Sustainable Development Report Guidelines of the Shenzhen Stock Exchange and Shanghai Stock Exchange, various typical and more innovative ESG aspects are covered. The environmental aspect mainly includes climate change (including GHG emissions), pollution, biodiversity and ecosystem, resource use, and circular economy. The social aspect mainly includes rural revitalization and social contribution, innovation and scientific ethics, supply chain and customers, and workers' rights. The governance aspect mainly includes corporate sustainable development management systems, anti-bribery and anti-unfair competition. In addition, in January 2026, the Shanghai, Shenzhen and Beijing Stock Exchanges issued Application Guidelines on Sustainability Report Preparation, including guidance on pollutant emissions, energy use and water use, to facilitate implementation of the Sustainable Development Report Guidelines.

For companies subject to the MEE Measures, the key environmental disclosure aspects include:

(a) basic information of the enterprise (production and environmental protection information);

(b) information on the environmental management of the enterprise;

(c) information on the generation, control and discharge of pollutants;

(d) carbon emission information;

(e) ecological and environmental emergency response information;

(f) information on violation of ecological and environmental laws;

(g) law-based annual disclosure of temporary environmental information; and

(h) other environmental information as prescribed by laws and regulations.

The Basic Standard, which is based on IFRS S1, sets out general requirements for the disclosure of corporate sustainability information and does not cover specific ESG topics. The Climate Standard is based on IFRS S2's four-pillar disclosure framework and sets out detailed requirements for climate-related disclosures. Further specific standards are expected to be issued to provide detailed disclosure requirements for other ESG topics.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The Basic Standard is highly consistent with IFRS S1 in terms of disclosure structure (i.e., the four pillars of governance, strategy, risk and opportunity management, and metrics and targets), as well as information quality requirements, including reliability, relevance, comparability, verifiability, understandability, and timeliness. At the same time, it incorporates localised adjustments to reflect China's national context, including modifications in disclosure objectives and topics, and certain expressions.

China has also released its Climate Standard, which is highly consistent with IFRS S2. It also adopts the four-pillar disclosure framework of IFRS S2 and sets similar requirements for the disclosure of GHG emissions, covering Scope 1, Scope 2, and Scope 3 GHG emissions. It also requires enterprises to conduct climate scenario analysis, disclose climate-related targets, and disclose their progress towards achieving those targets. However, China has not directly adopted IFRS S2. Accordingly, the reliefs introduced by the IFRS S2 December 2025 Amendments do not automatically apply in China and have not been incorporated into the current PRC sustainability disclosure framework.

The other regulatory disclosure requirements do not make any specific reference to international standards. However, based on a recent analysis by the China Association for Public Companies, they share some commonalities with IFRS S1 and IFRS S2 in terms of framework structure, basic concepts, disclosure principles, disclosure framework, and disclosure of climate change issues. This is particularly the case for the Sustainable Development Report Guidelines.

In practice, many companies listed on the Shanghai Stock Exchange or Shenzhen Stock Exchange prepare their ESG/SR reports with reference to international standards/frameworks, such as the GRI standards, ISO 26000 and TCFD Recommendations.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

The disclosure requirements of the Shenzhen Stock Exchange and Shanghai Stock Exchange adopt double materiality.

The Basic Standard and Climate Standard also adopt double materiality.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

Based on the Sustainable Development Report Guidelines of the Shanghai Stock Exchange and Shenzhen Stock Exchange:

(a) The disclosing entity should account for and disclose the total GHG emissions during the reporting period and convert the emissions of different GHGs into metric tonnes of CO_2 equivalent (**tCO_2e**). The entity should disclose the emissions categorised into Scope 1 and Scope 2 emissions, and it is encouraged to disclose Scope 3 emissions if it has the conditions to do so.

(b) The disclosing entity should disclose the standards, methods, assumptions, or calculation tools used to account for GHG emissions, and explain the consolidation methods of the emissions (such as equity proportion, financial control, operational control, etc.). If there are changes in the accounting standards, methods and assumptions etc. during the reporting period, the reasons should be explained and the specific impacts should be disclosed.

On 18 October 2023, the MEE issued the Notice on the Reporting and Verification of Greenhouse Gas Emissions of Enterprises in Certain Key Industries in 2023-2025, which stipulates that key emission enterprises, including those with annual carbon emissions of 26,000 tCO_2 or above in key industries, such as petrochemicals, chemicals, building materials, steel, non-ferrous metals, paper, and civil aviation, are required to report their GHG emissions onto the National Carbon Market Information Network. This notice focuses on designated emission factors relating to manufacturing and operation, encompassing only Scope 1 and Scope 2 emissions. The notice outlines the reporting and verification methods prescribed by the MEE in the Guidance for Verification of Enterprise Greenhouse Gas Emissions Reporting (Trial).

The Climate Standard, which currently applies on a voluntary basis, requires enterprises to disclose GHG emissions, including Scope 1, Scope 2, and Scope 3 emissions. It will apply to enterprises as prescribed by law (the scope of which has yet to be confirmed) and enterprises that voluntarily choose to disclose sustainability information. Enterprises must calculate their emissions in accordance with the mainland's national carbon accounting standards, categorise and disclose their absolute GHG emissions during the reporting period, and convert different types of GHG emissions into tCO_2e. In general (with limited exception for Scope 3 emissions), enterprises must disclose the methodologies, activity data, emission factors, input values, and assumptions used in their calculation, as well as explain any changes and their impacts if such elements are revised.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

There are currently no mandatory requirements to obtain independent assurance of any ESG disclosures. However, China has established a voluntary sustainability assurance framework. In particular, the Sustainability Information Assurance Standard No. 6101 – Basic Standard (Trial) sets out the general principles and requirements for assurance engagements over sustainability information. The standard is currently implemented on a voluntary basis.

In addition, the Sustainable Development Report Guidelines and the Basic Standard encourage disclosing entities to engage third-party institutions to provide assurance or audit for their GHG emissions and other disclosed data.

The Sustainable Development Report Guidelines stipulate that disclosed information should include the independence of the third-party institution, its relationship with the disclosing entity, its experience and qualifications, and the assurance or audit report. The content of the report should include, but is not limited to, the scope of assurance or audit, the standards used, main procedures, methods and limitations, opinions or conclusions, etc.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   Many listed companies make reference to international standards (such as the GRI standards and ISO 26000) and/or local standards (such as the Guidelines on Sustainability Reporting for Chinese Enterprises (CASS-ESG 6.0), Guidance for Enterprise ESG Disclosure (T/CERDS 2-2022), and Reference ESG Indicator Framework for Listed Companies Controlled by Central State-owned Enterprises) in their ESG reports, even though they are not mandatory.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

    The International Platform on Sustainable Finance, which was jointly launched by economies including China and the EU, released the Common Ground Taxonomy (**CGT**). The CGT has been adopted by some financial institutions in China and the EU as a reference for determining whether projects satisfy the purpose of sustainable finance when issuing financial products, but it is not mandatory.

    On 14 November 2024, China, the EU, and Singapore jointly released the Multi-jurisdiction Common Ground Taxonomy. Building on the original CGT, this new taxonomy aims to enhance the interoperability and alignment of sustainable finance standards across these jurisdictions.

    The guidance on "green investment" and the Green Finance Endorsed Projects Catalogue mentioned in section C.2 below apply in the sustainable finance context.

11. **Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?**

    Currently, China has incorporated IFRS S1 and IFRS S2 into its domestic disclosure framework through the Basic Standard and the Climate Standard, but has not yet adopted the TNFD framework.

12. **Other upcoming developments / direction of travel**

    As mentioned above, the national unified sustainability disclosure standards system will consist of the basic standards, specific standards, and application guidelines, and will be implemented in stages. They will initially apply to listed companies, with a gradual extension to non-listed companies and small and medium-sized enterprises.

    The Basic Standard, the Climate Standard, and the Application Guidance have now been issued, and the authorities are expected to continue developing topic-specific standards and related implementation guidelines as part of the national sustainability disclosure framework. A nationally unified sustainability disclosure standards system is expected to be in place by 2030. A precise timeline for mandatory application has not yet been specified.

    Given the long development cycle of the standards system, relevant authorities may, based on practical needs, initially formulate disclosure guidelines and regulatory rules for specific industries or sectors, to be gradually refined and improved in the future.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   China has set clear decarbonisation targets and strategies. The white paper "China's Policies and Actions on Climate Change" published by the Chinese government details China's national strategies and actions in response to climate change. China committed to achieving carbon peak by 2030 and carbon neutrality by 2060, and has included the reduction of carbon emission intensity as a binding indicator in the national economic and social development plan. In its "15th Five-Year Plan," it has set a target of reducing carbon dioxide emissions per unit of GDP by 17% during the 15th Five-Year Plan period.

   In addition, China announced new NDCs, stipulating its 2035 NDC targets, under which China will, by 2035, reduce economy-wide net greenhouse gas emissions by 7% to 10% from peak levels, striving to do better. At the same time, China will further increase the share of non-fossil fuels in total energy consumption to over 30% and expand the installed capacity of wind and solar power to over six times the 2020 level, striving to bring the total to 3.6 billion kilowatts.

China is also accelerating the construction of its "1+N" policy system for carbon peak and carbon neutrality, formulating top-level design documents and implementation plans for various fields and industries, clarifying the timetable, roadmap and construction drawings, and comprehensively promoting work in each aspect of carbon peak and carbon neutrality.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Yes, there is a mandatory ETS, which mainly targets high-emission industries and enterprises. The Chinese government has launched a mandatory carbon emissions trading market (**CET**) and has established a corresponding regulatory framework. On 25 January 2024, the State Council of China promulgated the "Interim Regulations on the Administration of Carbon Emission Trading", which is the first specialised regulation in China for combatting climate change and clarifying the market trading system for carbon emission rights. Currently, China's carbon emissions are mainly concentrated in eight key industries: power generation, steel, building materials, non-ferrous metals, petrochemicals, chemicals, papermaking, and aviation, which account for about 75% of the country's total carbon dioxide emissions. In 2025, the national CET included 3,378 key emitting companies in the power, steel, cement and aluminium smelting sectors, accounting for around 60% of the total national carbon dioxide emissions.

China's CET is primarily based on free allocation by the MEE. The MEE utilises an industry-based benchmarking method, which is determined by the actual output of enterprises, to carry out the free allocation. The MEE outlines its benchmarking method in policy documents concerning the total volume and distribution of allowances. For instance, the free allocation for the power generation sector for 2023 and 2024 is determined in accordance with the *National Carbon Emission Allowance Total and Allocation Plan for the Power Generation Industry in 2023 and 2024*, while pre-allocation of 2025 allowances will take place by 30 June 2026. If the actual emissions of an enterprise are less than its allocated allowances, it can sell its surplus allowances on the CET. Conversely, if the actual emissions exceed the allocation, the enterprise needs to purchase allowances on the CET.

Pursuant to the Opinions on Promoting Green and Low-Carbon Transition and Strengthening the Development of the National Carbon Market, issued by the General Office of the Communist Party of China Central Committee and the General Office of the State Council in August 2025, it is anticipated that the national CET will further expand its coverage to include more industries as follows:

(a) by 2027, the national carbon emissions trading market is expected to substantially cover the major emitting industries in the industrial sector. The market is also expected to be progressively extended to sectors such as chemicals, petrochemicals, civil aviation and papermaking; and

(b) by 2030, China aims to essentially establish a national carbon emissions trading market based on total allowance control and a combination of free and paid allocation.

China has not yet introduced carbon taxes or mapped out legislative plans relating to carbon taxes (although there are certain types of taxes which are related to carbon reduction to some extent).

3. Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?

There are no mandatory requirements for companies to have transition plans, but certain disclosure requirements on transition planning apply to certain listed companies.

Shanghai- and Shenzhen-listed companies subject to the Sustainable Development Report Guidelines discussed in sections A.2(d) and (e) above should disclose their transition plans, measures, and progress in response to climate-related risks and opportunities, including, but not limited to, the following content:

(a) the company's adjustments to current and future strategies, business models, and resource allocation in response to climate-related risks and opportunities;

(b) the measures that the company has taken or plans to take to improve production processes and update equipment to directly or indirectly address climate-related risks and opportunities;

(c) the transition plan formulated by the company to cope with climate-related risks and opportunities, and the basic assumptions relied upon in formulating such a plan;

(d) the resources provided by the company for the implementation of the transition plan; and

(e) the progress of the company in implementing the transition plan.

There are plans to require reporting entities, subject to the unified sustainability disclosure system, to disclose the targets they have set or which are mandated by national laws, regulations, or strategic plans, such as GHG emission objectives.

4. Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?

Shanghai- and Shenzhen-listed companies subject to the Sustainable Development Report Guidelines should disclose information relating to their GHG emission reduction practices, including participation in various emission reduction mechanisms, emission reduction targets, emission reduction measures (such as management measures, financial investments, technological developments etc.), and their effectiveness.

The disclosing entity should also disclose its registration and trading status within national voluntary GHG emission reduction projects and the China Certified Emission Reduction program (**CCER**), as well as its registration and trading of emission reductions (if any).

When the disclosing entity includes information in the sustainability report that requires estimations or predictions, such as financial impacts and GHG reduction targets, it should be based on reasonable assumptions and premises and provide adequate risk warnings for significant factors that may affect the accuracy of such estimations or predictions. If there are significant changes to the assumptions and premises upon which the estimations or predictions are based, they should be disclosed promptly.

The Climate Standard is currently voluntary with plans for mandatory application in the future. It requires a reporting entity to disclose the climate-related targets set out in its strategy for managing climate risks and opportunities or as mandated by national laws, regulations, or strategic plans, such as GHG emission objectives. For each target, the entity shall disclose its purpose, the methodology used, the scope of application, the time frame for achievement, the metric(s) used to measure progress, and the applicable reference or baseline. When setting and disclosing these targets, the reporting entity shall take due account of its industry type and prevailing industry practice, disclosing each target both qualitatively and quantitatively. Nevertheless, disclosure may be omitted if the information cannot reasonably be ascertained with the entity's own resources or if it constitutes state secrets or commercially confidential information.

5. Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?

On 12 March 2026, the National People's Congress adopted the Ecological and Environmental Code of the PRC (**the Ecological Environment Code**), which took effect on 15 August 2026. The Ecological Environment Code formally establishes the EPR system and stipulates that the competent standardisation authority under the State Council, in conjunction with the relevant departments in charge of development and reform, ecology and environment, industry and information technology, and other relevant authorities, shall formulate circular economy standards covering green design, green manufacturing, comprehensive utilisation of industrial waste, and recycling of domestic waste. The specific standards have not yet been issued at this stage.

In terms of eco-design, the Ecological Environment Code encourages producers and operators to carry out green design and requires the design of products such as electrical and electronic products and motor vehicles to take into account their impact on human health and the ecological environment throughout their lifecycle. In addition, the Ministry of Industry and Information Technology has issued a guidance document, the Green Design Guide for Industrial Products (2026 Edition), which identifies 11 priority green design directions and provides practical implementation guidance closely tailored to 15 industries, including wind power equipment, photovoltaics, automobiles, construction machinery, and lithium batteries, with

numerous illustrative examples of green design solutions, such as long-life design, energy-efficient design, and recyclability-enhancing design for wind power equipment.

China has also introduced a sector-specific EPR regime for new energy vehicle (**NEV**) power batteries, effective from 1 April 2026. Power battery manufacturers and NEV manufacturers are required to establish recycling networks, fulfil take-back obligations, implement battery traceability and information reporting, and ensure proper recycling through qualified recycling enterprises.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Currently, China has not enacted mandatory human rights and/or environmental due diligence laws for businesses in China. However, the National Public Service Platform for Standards Information has published the drafting plan for the Implementation Guide for Due Diligence in Green Supply Chain Management of Manufacturing Enterprises (20256042-T-469), which provides voluntary guidance for manufacturing enterprises to build, implement, maintain, and improve green supply chain management.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

In June 2025, the People's Bank of China, together with the National Financial Regulatory Administration and the China Securities Regulatory Commission, issued the Green Finance Endorsed Project Catalogue (2025 Edition). In addition, the transition finance standards developed under the leadership of the People's Bank of China for four sectors – steel, coal-fired power, building materials, and agriculture – have been piloted in more than 20 provinces and municipalities. Hebei Province has also formulated a dedicated transition catalogue focusing specifically on the steel industry.

The People's Bank of China has successively introduced monetary policy instruments to support the development of green finance, including green loans and green bonds in the People's Bank of China's eligible collateral pool and launching the Carbon Emission Reduction Facility (**CERF**). The CERF is a key structural monetary policy instrument used by the People's Bank of China to guide financial institutions towards carbon-reduction projects. In January 2026, the People's Bank of China further expanded the support scope of the CERF to include projects with direct carbon emission reduction effects, such as energy-saving retrofitting, green upgrading, and the transition to green and low-carbon energy, thereby guiding banks to support the comprehensive green transition. According to the China Monetary Policy Report (Q1 2026) published by the People's Bank of China, by the end of the first quarter of 2026, the outstanding balance of green loans reached RMB 48.1 trillion, representing a year-on-year increase of 17.6%.

Furthermore, several regions have rolled out fiscal incentives for green and transition finance. Shanghai, for example, intends to offer subsidies for costs associated with green lending, green bonds, and green leasing.

Blended (public-private) finance in China is still at an early stage, but the Shandong Green Development Fund provides a useful example. The Fund is a blended-finance initiative supported by multilateral and development finance institutions and local governments, with the objective of supporting climate change mitigation and adaptation projects within Shandong Province, including renewable energy, energy efficiency improvement, ecological restoration, and green and low-carbon infrastructure development. The Shandong Fund has set initial project targets included reducing emissions by 2.5 million tCO_2e annually by 2027 and improving climate resilience for at least 2 million people.

8. Other upcoming developments / direction of travel

The government is introducing policies to encourage and guide enterprises in low-carbon transition, including carbon reduction target responsibility systems and low-carbon city construction plans, etc.

The Ecological Environment Code, which took effect on 15 August 2026, established a unified legal framework governing climate, biodiversity and resource use. It consolidates and updates various existing environmental laws and regulations into a unified legal framework, as well as establishes a standalone section on green and low-carbon development. This section primarily sets out the direction for future regulations covering the three major areas of (a) circular economy development, (b) energy conservation and green and low-carbon transition and (c) climate change response. Certain special laws (e.g. the Forestry Law) remain in effect.

The government continues to develop and introduce regulations on carbon emissions, including developing carbon trading markets. The national ETS has expanded from the power sector to the steel, cement and aluminium smelting sectors, and is expected to continue expanding to other major emitting industries. China is also continuing to improve the voluntary emission reduction trading market. Positive progress has been made - the MEE has officially released two batches of CCER project methodologies and is promoting a carbon emission verification and reporting system. Further detailed disclosure requirements on carbon emissions and relevant transition planning might be considered in the future.

The government is also advancing green supply chain management and biodiversity finance. On 31 October 2025, the National Public Service Platform for Standards Information published the drafting plan for the Implementation Guide for Due Diligence in Green Supply Chain Management of Manufacturing Enterprises (20256042-T-469), with a view to further promoting green supply chain management. In addition, the People's Bank of China has launched the Biodiversity Finance Catalogue (Trial) in 2025 to improve financing mechanisms for biodiversity conservation and sustainable use and direct more financial resources to these areas.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   Sustainability-related statements, marketing claims and disclosures shall be based on facts without misleading statements. There have been no significant examples of proceedings or regulatory actions, but some enterprises were held to have misused "green" information in their advertisements or assisted others in providing false green information, which were considered violations of relevant laws and regulations.

   For example, we have observed some cases in which the authenticity and accuracy of some environment-related corporate statements and claims during marketing and sales activities have raised concerns or have been questioned by local regulatory authorities across China. For example, some imported products with inappropriate carbon neutrality labels or statements have been required by the market supervision administration of local governments to be removed from shelves due to violation of relevant provisions of the Advertising Law of the PRC.

   In 2024, the Supreme People's Court of China held that an environmental inspection company, as a legal entity possessing valid environmental inspection and testing qualifications, deliberately issued a significant number of false monitoring reports. The company condoned fraudulent practices within its departments, including non-compliance with sampling standards, fabrication of data and records, and explicitly instructed or tacitly consented to the issuance of false monitoring reports. These actions constituted the offence of providing false certification documents under criminal law. Six senior management personnel and directly responsible individuals from the company were sentenced to fixed-term imprisonment, ranging from nine months to one year and two months. Furthermore, they were prohibited from engaging in environmental monitoring and related professions for three years following the completion of their sentences.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   The State Administration for Market Regulation and Standardization Administration of the People's Republic of China issued the national standard Terminology for Green Finance (GB/T 45490-2025) on 28 March 2025, which includes a definition of greenwashing: "Economic entities engaging in misleading practices or disseminating false information, thereby exaggerating or making unfounded claims regarding the environmental friendliness of their products, services, policies, and objectives." There are also some regulations which could be regarded as relating to risk management of greenwashing.

   Some relevant guidance on "green investment" exists in the finance industry. For example:

   (a) the Green Investment Guidelines (For Trial Implementation) issued by the Asset Management Association of China.

The guidelines deal with how to make green investments and define the scope of green investments, which should include, but is not limited to, the enhancement of energy efficiency, emission reduction, clean and renewable energies, environmental protection and restoration, and recycle economy, with a focus on environmental protection, low-carbon development and recycling, etc.; and

(b) the Green Finance Endorsed Project Catalogue (2025 Edition) jointly issued by the People's Bank of China, the National Financial Regulatory Administration, and the China Securities Regulatory Commission (**CSRC**), which came into effect on 1 October 2025, and sets out projects that can be funded by green financial products.

In addition, the Interim Regulations on the Administration of Carbon Emission Trading (effective from 1 May 2024), which regulate carbon emissions trading in the PRC, specify that key GHG emitting entities shall be responsible for the authenticity of their emission data and bear liability arising from their non-compliance.

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Likely grounds include:

(a) criminal liabilities arising from the issuance of fraudulent certification documents (constituting criminal offences), including the generation of misleading environmental monitoring reports through the fabrication of inaccurate or deceptive data;

(b) disclosure liabilities under securities laws and regulations, e.g. providing materially false or misleading information in listing documents or other corporate disclosure documents, such as ESG reports or SR reports;

(c) claims in tort/contract for misrepresentation; and

(d) violation of the Advertising Law, the Anti-Unfair Competition Law and/or the Law on the Protection of Consumer Rights and Interests, e.g. deceiving consumers that the products are carbon neutral through misleading commercial advertisements.

4. Other upcoming developments / direction of travel

Although there have been no major greenwashing claims in the mainland of China to date, the risks of greenwashing liabilities are expected to increase as sustainability reporting requirements become more robust and the sense of urgency on sustainability continues to grow.

In particular, the Administrative Measures for Information Disclosure of Listed Companies were revised in 2025, mandating certain companies listed on the Shanghai Stock Exchange and the Shenzhen Stock Exchange to disclose annual sustainability reports from 2026, in accordance with the standards of the *Self-regulatory Guidelines of the Shenzhen Stock Exchange for Listed Companies No. 17 - Sustainable Development Report (Trial) and the Self-regulatory Guidelines of the Shanghai Stock Exchange for Listed Companies No. 14 - Sustainable Development Report (Trial)* (as outlined in sections A.2(d) and (e) above). The CSRC will carry out substantive reviews of sustainability reports to ensure that the information contained therein is accurate, complete, reliable, presented in a concise and clear manner, and comprehensible to stakeholders. Additionally, the reports must be free from false information, misleading statements, or material omissions. If the information disclosed in the reports includes false records, misleading statements, or material omissions, then the listed company, its responsible officers and other directly liable individuals, as well as its controlling shareholders and ultimate controllers, may all be subject to substantial fines of up to RMB10 million.

It is worth closely observing how the CSRC will practically implement the review of sustainability reports issued by listed companies in the future.

The Supreme People's Court's Opinions on Providing Judicial Services for Actively and Steadily Promoting Carbon Neutrality stresses that the courts shall address cases involving disputes over the reporting of GHG emissions in accordance with the law. Where key GHG emitting entities refuse to fulfil their GHG emissions reporting obligations, fabricate, conceal, or omit GHG emission data, the courts shall support administrative authorities in imposing administrative penalties in accordance with the law. If technical service agencies and key GHG emitting entities maliciously collude to fabricate, conceal, or omit GHG emission data, causing damage to others, victims may claim compensation for infringement damages. It may also constitute a criminal offence in accordance with the Interpretation by the Supreme People's Court and the Supreme People's Procuratorate on Several Issues Concerning the Application of Law in Handling Criminal Cases Involving Environmental Pollution and the Criminal Law of the PRC.

Hong Kong

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Hong Kong.

ESG in APAC – Hong Kong
By Slaughter and May

Year in review
(1 July 2025 to 30 June 2026)

- Hong Kong has continued to leverage its position as an international finance centre to prioritise policies that strengthen its role as a sustainable finance hub, including through the development of a comprehensive sustainability disclosure ecosystem and the scaling of transition finance.
- The period in question saw: (a) climate reporting rules for listed companies (aligned with the international reporting standard IFRS S2) enter their first reporting cycle. The reporting coming out of Hong Kong will serve as a useful reference point for companies elsewhere who are embarking on ISSB-aligned climate reporting; (b) a consultation on mandatory assurance of sustainability reporting; and (c) guidance to operationalise international frameworks on transition finance.
- The strategic priorities going forward are to further enhance sustainability (i.e. not only climate) reporting and to become a regional hub for transition and adaptation finance. Plans include phasing in the ISSB Standards for significant financial institutions and large listed companies from 2028, developing an assurance regime and issuing further guidance on transition plan disclosures.

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Yes.

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

ESG disclosure requirements are primarily aimed at listed companies and financial institutions:

(a) The ESG reporting Code in Appendix C2 to the Hong Kong Listing Rules (**ESG reporting Code**) issued by the Hong Kong Stock Exchange (**HKEX**) sets out ESG disclosure requirements to be reported on an annual basis by Hong Kong primary-listed companies. This includes the phased implementation of climate-related disclosures aligned with IFRS S2 as outlined in section A.3 below.

(b) The Hong Kong Monetary Authority's (**HKMA**) Supervisory Policy Manual contains a Climate Risk Management module (**HKMA Climate Module**), which includes best practices on climate disclosures by "authorised institutions" (primarily, banks).

(c) Asset managers (licensed by the Securities and Futures Commission (**SFC**)) of certain collective investment schemes are required to make climate-related disclosures.

(d) Hong Kong-incorporated companies (unless exempted) are required under the Companies Ordinance to prepare an annual directors' report covering (amongst other matters) its environmental policies, performance and compliance with relevant laws and regulations. However, these requirements are relatively high-level.

(e) At the product level, SFC-authorised (in short, retail) green or ESG funds must include certain disclosures in the offering documents and disclose, at least annually, how the funds have attained their ESG focus. Mandatory Provident Fund (**MPF**)[1] trustees of ESG constituent funds are required to include similar disclosures in MPF scheme brochures and annual governance reports.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

For listed companies, the disclosure requirements in the ESG reporting Code are a mix of both. Disclosures of ESG governance structure and ESG reporting boundary and principles are mandatory. Disclosures of environmental and social aspects under Part C of the ESG reporting Code are on a comply-or-explain basis. Climate-related disclosures under Part D of the ESG reporting Code (**HKEX Climate Disclosure Rules**) apply in a phased manner as follows:

(a) **Scope 1 and Scope 2 emissions**: mandatory for financial years commencing on or after 1 January 2025.

(b) Other climate disclosures (including Scope 3 emissions) under Part D:

(i) Main Board-listed issuers included in the Hang Seng Composite LargeCap Index[2] (**Large Cap Issuers**): comply-or-explain for financial years commencing on or after 1 January 2025 and mandatory for financial years commencing on or after 1 January 2026;

(ii) other Main Board-listed issuers: comply-or-explain for financial years commencing on or after 1 January 2025; and

(iii) GEM-listed issuers: voluntary.

For authorised institutions, while the HKMA Climate Module is not a mandatory guideline, non-compliance can potentially be taken into account when assessing whether an institution has conducted its business with prudence and professional competence. The HKMA expects authorised institutions to make TCFD-aligned disclosures but will take a proportionate approach

1 The MPF system is Hong Kong's statutory retirement savings system.

2 An issuer that is a Hang Seng Composite LargeCap Index (**HSCLI**) constituent throughout the year immediately prior to the reporting year will be considered a Large Cap Issuer. Once an issuer becomes a Large Cap Issuer, it will continue to be treated as such for the purpose of climate reporting, even if it subsequently ceases to be an HSCLI constituent.

- depending on factors such as the significance of operations in Hong Kong, when assessing whether a comply-or-explain approach may be taken, with explanations and plans for future enhancements given.

The other requirements mentioned in section A.2 are mandatory.

4. Which aspects of ESG do the requirements focus upon?

For listed companies, environmental, social and governance aspects are all covered, but the focus is on climate.

For financial institutions, the focus is on climate.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The HKEX Climate Disclosure Rules are substantially based on IFRS S2, and issuers are strongly encouraged to prepare their climate disclosures following the conceptual foundations in IFRS S1. The HKEX has clarified in an FAQ that the reliefs provided by the IFRS S2 December 2025 Amendments apply.

Authorised institutions are expected to report climate disclosures in line with the TCFD Recommendations at a minimum.

Hong Kong is working towards further alignment with international standards - including the ISSB Standards - for listed companies and financial institutions as outlined in section A.11 below.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

For listed companies, "materiality" is defined in the ESG reporting Code as "the threshold at which ESG issues determined by the board are sufficiently important to investors and other stakeholders that they should be reported". This is sufficiently wide to encompass a range of materiality considerations, including financial materiality. For the purpose of the HKEX Climate Disclosure Rules, a single materiality approach is adopted in line with the ISSB Standards (though listed companies can prepare additional disclosures under a double materiality approach if they wish).

The requirements applicable to authorised institutions and asset managers are based on the TCFD Recommendations and therefore adopt a single materiality approach.

7. Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

Yes.

Under the HKEX Climate Disclosure Rules:

(a) Scope 1 and Scope 2 emissions must be reported on a mandatory basis by all listed companies. Disclosures of Scope 3 emissions are mandatory for Large Cap Issuers for financial years beginning on or after 1 January 2026 and required on a comply-or-explain basis for all other Main Board-listed companies; and

(b) the GHG Protocol must be used as the measurement methodology, unless a different method is required by another jurisdiction or stock exchange in whole or in part.

Authorised institutions are subject to Scope 1 and Scope 2 reporting requirements under the HKMA Climate Module. Large asset managers are required to report on portfolio carbon footprint (Scope 1 and Scope 2 emissions) where data is available or can be reasonably estimated. It is not mandatory to adopt a specific GHG measurement methodology.

8. Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?

Assurance is encouraged, but currently not mandatory.

However, Hong Kong has taken initial steps towards establishing a sustainability assurance regime:

(a) The Hong Kong Institute of Certified Public Accountants published its sustainability assurance standard in March 2025 (*HKSSA 5000 - General Requirements for Sustainability Assurance Engagements*), which is fully aligned with the *International Standard on Sustainability Assurance (ISSA) 5000 - General Requirements for Sustainability Assurance Engagements* issued by the International Auditing and Assurance Standards Board; and

(b) The Accounting and Financial Reporting Council (**AFRC**) issued a consultation in December 2025 on a regulatory framework for sustainability assurance, including proposals for phased mandatory assurance and a registration regime

for assurance providers. See section A.12 below for more detail.

9. For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?

Some large non-listed entities have issued ESG reports, even though it is not mandatory, and have referenced international standards.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

Yes, the HKMA issued the Hong Kong Taxonomy for Sustainable Finance in May 2024. The latest iteration (Phase 2A) was published in January 2026. The taxonomy has no mandatory application.

Phase 1 of the taxonomy covered the following sectors: power generation, transportation, waste management and construction. Phase 2A added two new sectors - manufacturing and information and communications technology (**ICT**) - and introduced new transition elements and a climate adaptation category. Work is underway to expand the scope of the taxonomy to cover more green and transition activities and climate adaptation measures.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Hong Kong has taken a climate-first approach with the introduction of the HKEX Climate Disclosure Rules (which are substantially based on IFRS S2) for listed companies. This is regarded as an interim step towards adopting the ISSB Standards.

In December 2024, Hong Kong issued:

(a) sustainability disclosure standards (**HK Standards**) that are fully aligned with the ISSB Standards (i.e. both IFRS S1 and IFRS S2); and

(b) a Roadmap on Sustainability Disclosure in Hong Kong, which highlighted that Hong Kong will prioritise the application of the HK Standards to publicly accountable entities under a phased approach:

(i) the HKEX will consult the market in 2027 on mandating sustainability reporting against the HK Standards, initially for Large Cap Issuers for financial years beginning on or after 1 January 2028; and

(ii) financial regulators will seek market feedback on requiring non-listed financial institutions carrying a significant weight in Hong Kong to report against the HK Standards from 2028.

The HKEX has indicated that it will also consider whether and how to upgrade the HKEX Climate Disclosure Rules to a mandatory status for all listed issuers (and not just Large Cap Issuers) when it consults on the adoption of the HK Standards.

The HKMA has encouraged banks to align their disclosures with international frameworks, including the ISSB Standards and the Basel Committee's disclosure framework for climate-related financial risks, and will undertake a consultation on the adoption of these standards.

Hong Kong's Biodiversity Strategy and Action Plan (updated in December 2025) stated that Hong Kong will promote the voluntary adoption of the TNFD framework and will also consider possible refinements to the ESG reporting Code to include more requirements for biodiversity-related risk disclosure and dependency practices upon publication of relevant standards by the ISSB.[3]

12. Other upcoming developments / direction of travel

There will be continued focus on enhancing sustainability reporting requirements and ensuring integrity of such reporting. As mentioned, the Hong Kong government has announced a pathway towards adopting both ISSB Standards in a proportionate manner. In light of this, the HKEX has encouraged listed companies to consider early adoption of the ISSB Standards in their sustainability reporting and has issued a guide

3 The ISSB is working on a practice statement on nature-related disclosures drawing on the TNFD.

on how to use disclosures from the ISSB Standards to meet the requirements of HKEX's ESG reporting Code.

The HKMA has stated that it will leverage on the ISSB Standards and the Basel Committee's disclosure framework on climate-related financial risks to enhance sustainability disclosure requirements for the banking sector.

Assurance requirements are expected to come into play for the publicly accountable entities noted in section A.11(b) above. The AFRC's consultation proposes that such entities obtain limited assurance in compliance with the *HKSSA 5000* standard in a phased manner, starting with Scope 1 and Scope 2 GHG emission disclosures from the third financial year of mandatory reporting under the HK Standards and all remaining disclosures from the fifth financial year of mandatory reporting under the HK Standards. The consultation period ended on 30 March 2026.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes, it is the Hong Kong government's policy to reduce Hong Kong's carbon emissions by 50% before 2035 (compared to 2005) and to reach carbon neutrality before 2050.

   The Hong Kong government has outlined four major decarbonisation strategies: "net-zero electricity generation", "energy saving and green buildings", "green transport" and "waste reduction".

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   There is no mandatory carbon pricing mechanism in Hong Kong. The HKEX has established a voluntary carbon trading platform, Core Climate, for eligible participants from any sector to purchase, trade and/or retire international voluntary carbon credits.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   Currently, mandatory requirements in relation to transition plans focus on disclosure.

   For listed companies, the HKEX Climate Disclosure Rules require (subject to the phased implementation outlined in section A.3) the disclosure of information about how a company has responded to, and plans to respond to, climate-related risks and opportunities in its strategy and decision-making, specifically any transition plan the issuer has, or a negative statement, where it does not have a transition plan. Issuers should also disclose the progress of plans disclosed in previous reporting periods. There is no mandatory standard on the content of transition plans, though listed issuers should refer to the HKEX's Implementation Guidance for Climate Disclosures for guidance, illustrative disclosures and further resources.

   Authorised institutions (including banks) are expected to disclose any transition plans they have. In addition, they are expected to incorporate climate-related risks into their internal capital adequacy assessment process (**ICAAP**) and capital planning as outlined in the HKMA's Supervisory Policy Manual on Supervisory Review Process. For guidance, the HKMA has issued high-level principles to assist authorised institutions to plan for a net-zero transition, as well as Good Practices on Transition Planning and Good Practices on Integrating Climate-related Risks into ICAAP and Capital Planning.

   However, there are potentially plans for more robust requirements relating to transition planning for the banking sector. In its Sustainable Finance Action Agenda issued in October 2024, the HKMA set out various goals for banks, including that all banks should strive to:

   (a) achieve net zero in their own operations by 2030 and in their financed emissions by 2050; and

   (b) tentatively from 2030, make their transition plans available to the HKMA on a comply-or-explain basis. The transition plans should consist of decarbonisation and financing targets, as well as action plans for achieving the 2050 net-zero goal, including a plan for a managed phase-out of financing for carbon-intensive assets.

The HKMA's 2025 Sustainability Report stated its key priority actions for 2026, including:

(a) keeping its Supervisory Review Process under review to take into account banks' effective management of climate-related risks, with the aim of incentivising banks to strengthen their climate risk management frameworks; and

(b) finalising a new Supervisory Policy Manual module on "Transition Planning" (**GS-2**) to provide banks with more detailed guidance on managing the risks associated with the net-zero transition.

The HKMA consulted the banking sector on a draft GS-2 in 2025 and based on feedback received, is revising the draft for a second round of consultation. The extent to which the transition-related goals noted above will be translated into more robust requirements remains to be seen.

4. Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?

Companies are not required to set or meet climate-related targets. However, disclosure requirements apply to listed companies that have set climate-related targets as outlined below.

The ESG reporting Code contains requirements for listed companies to disclose (on a comply-or-explain basis) certain environmental targets (emission targets, waste reduction targets, energy use efficiency targets and water efficiency targets) that have been set.

In addition, the HKEX Climate Disclosure Rules require listed companies to disclose:

(a) any climate-related targets they have set and any targets they are required to meet by law or regulation (including any GHG emissions target);

(b) certain details in relation to each target, e.g. how it aligns with the latest international agreement on climate change and whether it covers Scope 1, 2 or 3 emissions. The planned use of carbon credits to meet any net GHG emissions target would also trigger further disclosures;

(c) information on their approach to setting and reviewing each target, and how they monitor progress, including any third-party validation; and

(d) information about their performance against each of their climate-related targets.

As mentioned in section B.5, EPR schemes are being developed, which will introduce statutory recovery targets for producers of certain products such as plastic beverage containers and beverage cartons.

5. Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?

EPR schemes are being progressively introduced. Legislation was passed in July 2025 to establish a common legislative framework for EPRs, facilitating the progressive inclusion of various products in the future and providing for statutory recovery targets to be set for regulated products. The government plans to first apply the new framework to plastic beverage containers and beverage cartons. There are also proposals to expand EPR to EV batteries. A consultation exercise is planned for 2026. Pre-existing schemes covering e-waste and glass containers are in place.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

There is no general corporate sustainability due diligence law in Hong Kong.

However, there are disclosure requirements in the ESG reporting Code for listed companies to disclose (on a comply-or-explain basis): (a) any significant impacts on the environment and actions taken to manage them; (b) policies and compliance with laws relating to child and forced labour, and steps taken to eliminate such practices when discovered; and (c) policies on managing, and practices used to identify and monitor, environmental and social risks of the supply chain.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

It is a strategic priority for Hong Kong to strengthen its role as a sustainable finance hub.

To attract capital to sustainable investments and financing, Hong Kong has introduced: (a) a taxonomy; (b) climate reporting aligned with global standards; and (c) a carbon credit trading platform.

To encourage businesses to use sustainable finance instruments, Hong Kong launched the Green and Sustainable Finance Grant Scheme to provide subsidy for eligible bond issuers and loan borrowers to cover part of their expenses on bond issuance and external review services. The scheme was subsequently expanded to cover transition bonds and loans. As at end 2025, the scheme has subsidised close to 650 green and sustainable debt instruments issued in Hong Kong with a total underlying issuance volume of around US$180 billion.

To promote and scale transition finance, an industry working group under the Hong Kong Green and Sustainable Finance Cross-Agency Steering Group (**Cross-Agency Steering Group**) issued the Transition Finance Operational Reference Guide - Phase 1 Report: Mobilising Finance for the Transition of the Technology Sector. The guide is intended to assist financial institutions and corporates to operationalise international frameworks and principles on transition finance through practical guidance. The guide uses the ICT sector as a pilot sector to develop the operational guidance, highlighting commonalities across international frameworks to identify a core set of entity-level transition-related information and metrics relevant to the ICT sector. It is intended that subsequent phases will cover activity-level financing and investment.

8. Other upcoming developments / direction of travel

There are indications that requirements on transition planning are starting to move beyond reporting:

(a) the HKMA plans to issue GS-2 - a new Supervisory Policy Manual module on transition planning for the banking sector (as noted in section B.3);

(b) mandatory EPR schemes are being progressively introduced, impacting producers of certain products (as noted in section B.5); and

(c) for the aviation sector, Hong Kong has set a 1-2% sustainable aviation fuel usage target by 2030 for Hong Kong International Airport.

According to the Cross-Agency Steering Group's 2026-2028 Strategic Priorities, Hong Kong aims to accelerate the growth of sustainable finance in Hong Kong through strengthening the sustainable finance and disclosure ecosystem and developing strengths in transition and adaptation finance.

In addition to the plans noted above on enhancements to sustainability reporting, assurance and taxonomy, there are plans to explore ways to:

(a) develop the carbon markets and green finance ecosystem across the Greater Bay Area (**GBA**) and promote a regional carbon market. The relevant exchanges in the GBA[4] signed an MOU in September 2025 and are exploring the testing of cross-boundary carbon trade settlement within the GBA, with a view to completing the pilot in 2026; and

(b) to mobilise private-sector funding, including through public-private matching funding, towards nature-positive projects in Hong Kong.

Hong Kong is also prioritising the development of hydrogen energy. Pursuant to the Strategy of Hydrogen Development published in June 2024, Hong Kong has introduced legislative amendments to provide a legal framework for regulating the use of hydrogen as fuel, approved various hydrogen energy trial projects and introduced subsidy schemes for trial projects.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

No.

4 HKEX, the Guangzhou Emissions Exchange, Shenzhen Green Exchange and Macao International Carbon Emission Exchange.

2. Are there any laws or regulations specifically dealing with greenwashing?

No, but some guidance exists. For example:

(a) the HKMA's circular on expected standards in respect of the sale and distribution of green and sustainable investment products by registered institutions deals with how registered institutions offering such products should minimise greenwashing risks;

(b) the HKMA has issued a circular on good practices relating to the due diligence processes for green and sustainable products offered by authorised institutions. It seeks to ensure that such products and related funds are managed in a way that is consistent with the authorised institution's climate strategy, thereby reducing exposure to greenwashing risks;

(c) the SFC has issued requirements on retail green and ESG funds, including on the funds' names and marketing materials; and

(d) the voluntary Hong Kong taxonomy should help to minimise greenwashing risks in the covered sectors.

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Likely grounds include:

(a) disclosure liabilities under securities laws and regulations – for example, for providing materially false or misleading information in listing documents or other corporate disclosure documents, such as ESG reports;

(b) breaches of directors' duties;

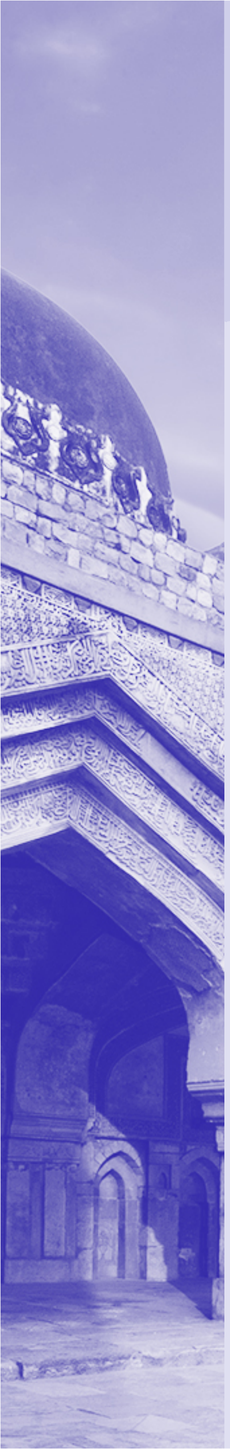
(c) claims in tort for misrepresentation; and

(d) breaches of the Trade Descriptions Ordinance.

There are also risks of regulatory enforcement pursuant to, for example, codes / guidance issued by financial regulators on the marketing of financial products and the Hong Kong Listing Rules' requirements on ESG disclosures.

4. Other upcoming developments / direction of travel

Although there have been no major sustainability-related claims in Hong Kong to date, the risks of claims or regulatory enforcement against companies (in particular, listed companies and financial institutions) are expected to increase as reporting requirements become more robust and Hong Kong seeks to enhance its status as a sustainable finance hub.



India

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of India.

ESG in APAC – India
By Khaitan & Co

Year in review
(1 July 2025 to 30 June 2026)

- Mandatory ESG disclosure and assurance requirements have been progressively expanded to apply to the top 1,000 publicly listed companies. There is currently no public proposal to adopt or fully incorporate the IFRS S1 or IFRS S2.
- New master directions have been introduced by the Reserve Bank of India to prescribe a financing framework for the acceptance of green deposits by commercial banks, non-banking financial companies and small finance banks.
- India's Carbon Credit Trading Scheme (which includes a mandatory ETS) has been operationalised, with binding GHG emission intensity targets established for over 740 industrial installations across 9 sectors under the CCTS compliance mechanism, and specific GHG emission intensity targets notified under the GEI Target Rules 2025 for approximately 490 industrial units across key sectors for the compliance years 2025-26 and 2026-27.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   Set out below are the key legislative and regulatory sources governing ESG disclosure requirements in India, along with details in relation to their applicability and scope.

   ### Listed entities

   The Indian securities market regulator - the Securities and Exchange Board of India (**SEBI**) mandates the top 1,000 publicly listed companies (by market capitalisation) to make annual ESG disclosures under the Business Responsibility and Sustainability Report (**BRSR**) framework.[1] The structure of the BRSR is segregated into essential (mandatory) and leadership (voluntary) indicators. Disclosures on the company's value chain are voluntary. SEBI introduced an additional subset of BRSR disclosures in 2023, which covers the following nine key ESG reporting parameters: GHG footprint, water footprint, energy footprint, embracing circularity, enhancing employee wellbeing and safety, enabling gender diversity in business, enabling inclusive development, fairness in engaging with customers and suppliers, and openness of business (**BRSR Core**). The BRSR Core applies to the top 1,000 publicly listed companies (by market capitalisation). As part of the BRSR Core framework, SEBI introduced a dedicated 'value chain' disclosure framework (**Value Chain Framework**), which currently applies on a voluntary basis.

   ### Domestic companies

   Section 134(3)(m) and section 134(3)(o) of the (Indian) Companies Act 2013 require the director's report of an India-incorporated company to include details on conservation of energy and corporate social responsibility initiatives undertaken during the year.

   Save for the above, ESG disclosures are not currently mandated for private entities, public unlisted entities and listed entities not forming part of the top 1,000 listed companies by market capitalisation.

   ### Sustainable finance and investment

   On 5 June 2025, SEBI issued the "Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities)" (**ESG Debt Securities Framework**), setting out disclosure and verification requirements for debt instruments labelled as 'Social Bonds', 'Sustainability Bonds', or 'Sustainability-linked Bonds'.[2] While 'Green Debt Securities' are separately governed, SEBI has mandated certain disclosure requirements across all categories of ESG debt securities, which include: (a) disclosure of environmental and/or social objectives or rationale for issuing such bonds in the offer documents, (b) ongoing performance disclosure, and (c) verification of the utilisation of proceeds through an independent external review.

   SEBI has mandated mutual funds to disclose their ESG policies and practices in the offer documents of ESG schemes.

   On 28 November 2025, the Reserve Bank of India (**RBI**) issued Master Directions on Climate Finance and Management of Climate Change Risks for commercial banks, non-banking financial companies and small finance banks (collectively, the **RBI Master Directions on Climate**), which mandates disclosures by regulated financial institutions that raise green deposits.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   The reporting in respect of BRSR Core parameters is mandatory for all the in-scope entities. However, the assurance or

1 Pursuant to an amendment to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.

2 Under Chapter IX and IX-A of SEBI's Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper, dated 22 May 2024

assessment of such BRSR Core disclosures is applicable to the listed entities on a glide path basis (i.e. for FY2025-26 – applicable to top 500 listed entities, and for FY2026-27 – applicable to top 1,000 listed entities (which is the entire universe of those companies that are required to make mandatory BRSR Core disclosures)). To summarise, the BRSR Core has been progressively extended to include more listed companies.

The Value Chain Framework initially required the top 250 publicly listed companies (by market capitalisation) to report ESG data relating to their value chain on a comply-or-explain basis from FY2024-25. However, effective from the reporting cycle FY2025-26, this requirement has changed from a comply-or-explain basis to a voluntary basis. A limited assurance or assessment requirement for value chain disclosures was to apply, also on a comply-or-explain basis, from FY2025-26, which has subsequently been modified to a voluntary basis from FY2026-27.

The Revised BRSR Core Circular has also narrowed the definition of 'value chain' to only include an in-scope company's significant upstream and downstream partners - i.e., those that individually account for 2% or more of the company's purchases or sales by value (**Significant Value Chain Partners**). In-scope companies may further limit disclosures to those Significant Value Chain Partners that, together, comprise up to 75% of their total purchases or sales.

The disclosure requirements for issuers of ESG Debt Securities and Green Debt Securities, mutual funds and financial institutions raising green deposits (as outlined in section A.2 above) in India are all mandatory.

4. Which aspects of ESG do the requirements focus upon?

The BRSR-mandated disclosures focus on all ESG tenets, including energy and water consumption, GHG emissions, waste management, EPR, environmental impact assessments undertaken by the reporting companies, and general disclosures relating to the environmental impact of the in-scope companies' operations, as well as social aspects which cover employee well-being, gender diversity, human rights and community engagement and governance aspects, such as anti-corruption practices, conflict of interest policies and remuneration metrics.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

Although India has not presently adopted international standards such as the ISSB Standards, the BRSR and BRSR Core have evolved in accordance with global best practices, and several disclosure requirements have been mapped against global reporting frameworks, such as the GRI Standards, the UN Sustainable Development Goals, the TCFD Recommendations, Carbon Disclosure Project (**CDP**) and the SASB Standards.

The BRSR does not incorporate IFRS S1 or IFRS S2, nor does it make compliance with such standards mandatory. The only formal bridge is BRSR's interoperability language, which allows listed entities to cross-reference disclosures prepared under internationally accepted frameworks such as the GRI Standards, the SASB Standards, the TCFD Recommendations and Integrated Reporting. Since IFRS S2 builds on the TCFD Recommendations and incorporated SASB Standards-derived industry disclosure requirements, there is conceptual overlap and practical interoperability.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

The BRSR and BRSR Core frameworks by SEBI adopt a double materiality approach, requiring disclosures on both the financial impact of ESG issues on the in-scope company and such company's impact on the environment and society. The BRSR and BRSR Core frameworks mandate detailed reporting on ESG risks, opportunities and their financial implications, as well as the company's broader environmental and social impacts, such as GHG emissions, resource usage, labour practices, and community engagement.

7. Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

BRSR mandates in-scope companies to disclose Scope 1 and Scope 2 GHG emissions, with Scope 3 reporting required only on a voluntary (leadership indicator) basis.

Separately, for FY2025-26, the top 500 publicly listed companies

(by market capitalisation) and for FY2026-27, the top 1,000 publicly listed companies (by market capitalisation) that voluntarily report under the Value Chain Framework must disclose the Scope 1 and Scope 2 emissions of their Significant Value Chain Partners, to the extent attributable to their commercial relationship with the reporting company – thereby triggering a limited Scope 3 reporting obligation on the reporting company under the BRSR Core.

The BRSR Core framework stipulates that GHG emissions may be measured in accordance with the GHG Protocol (though this is not a strict requirement). Additionally, in December 2024, SEBI adopted the 'Industry Standards on Reporting of BRSR Core' (**Industry Standards**) to provide further guidance on the methodology and disclosure of GHG emissions, with the aim of ensuring consistency and clarity in BRSR Core reporting.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   Yes. SEBI has introduced a mandatory requirement for publicly listed companies to undertake either an assessment or assurance of their BRSR Core disclosures, which is being implemented through a phased glide path. The requirement presently applies to the top 500 publicly listed companies (by market capitalisation) for FY2025-26 and will be extended to cover the top 1,000 publicly listed companies (by market capitalisation) from FY2026-27 onwards.

   For the top 250 publicly listed companies (by market capitalisation) that choose to make disclosures pursuant to the Value Chain Framework, they may choose to obtain an assessment or assurance for such disclosures on a voluntary basis.

   Notably, the Revised BRSR Core Circular substitutes the earlier requirement of obtaining an 'assurance' for BRSR Core disclosures and 'Value Chain' disclosures with the more flexible requirement of obtaining either an 'assurance' or an 'assessment'. 'Assessment' refers to a profession-agnostic evaluation process that may be conducted by a broader range of third-party service providers. Unlike 'assurance', 'assessment' does not typically imply reliance on formal professional credentials, such as those held by auditors or chartered accountants – thus allowing in-scope companies to engage not only traditional assurance providers but also other qualified assessors, provided that the evaluation is conducted in accordance with the methodologies prescribed under the Industry Standards.

   ESG labelled debt securities, as well as banks' allocation of proceeds raised from green deposits, are subject to independent verification / assurance requirements. In addition, a bank raising green deposits shall, with the assistance of external firms, assess annually the impact associated with the funds lent for or invested in green finance activities during a financial year through an impact assessment report.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   Yes. In our experience, we see companies aligning their disclosures under international reporting frameworks and making voluntary ESG disclosures.

   Several publicly listed companies that are not mandatorily required to make ESG disclosures are opting to voluntarily make such disclosures. Similarly, many unlisted companies and multinational companies also make such disclosures on a voluntary basis given investor sentiment and stakeholder expectations. Companies are making voluntary ESG disclosures as customary practice owing to increasing requirements from investors, lenders etc. Such requirements are now also being hardwired in contractual arrangements for better optics from stakeholders' perspective.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

    The (Indian) Department of Economic Affairs released a Draft Framework of India's Climate Finance Taxonomy (**Draft Taxonomy**) on 7 May 2025, which aims to identify and standardise climate-aligned economic activities and guide sustainable investments and finance in India. However, the Draft Taxonomy has not yet been adopted, and as such, India does not presently have a comprehensive local taxonomy on sustainable

activities akin to the EU taxonomy, and it is currently unclear whether the Draft Taxonomy will have mandatory application once adopted.

In parallel, India continues to broaden its sustainable finance ecosystem through initiatives such as the BRSR, BRSR Core, the Carbon Credit Trading Scheme 2023 (**CCTS**) and Green Credit Programme.

The Indian regulatory framework for ESG Debt Securities expressly links disclosure and eligibility requirements to a set of internationally recognised principles and taxonomies. Under the ESG Debt Securities Framework, issuers are permitted to label their instruments as 'Social Bonds', 'Sustainability Bonds', or 'Sustainability-linked Bonds' if the use of proceeds aligns with the following standards: the International Capital Market Association Principles, Climate Bonds Standard, ASEAN Standards, or EU frameworks. Additionally, issuers are required to disclose the global or domestic taxonomies and methodologies referenced in structuring their bonds. Specifically, issuers of 'Green Debt Securities' are required to align their disclosure regime with the updated 'Green Bond Principles' recognised by IOSCO.

The RBI Master Directions on Climate stipulate that the allocation of proceeds raised from green deposits shall be based on the official Indian green taxonomy, but pending the finalisation of the Indian green taxonomy, the regulated entities shall allocate proceeds towards green activities/projects that encourage energy efficiency in resource utilisation, reduce carbon emissions, reduce emission of greenhouse gases, promote climate resilience and climate adaptation, and value and improve natural ecosystems and biodiversity.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

SEBI has clarified that while undertaking BRSR disclosures, companies already preparing and disclosing sustainability reports based on internationally accepted reporting frameworks (e.g. GRI, Integrated Reporting Framework and TNFD) may refer to disclosures made under these frameworks. For instance, many companies in India follow the CDP disclosure system on a voluntary basis, and CDP questionnaires are, to some extent, aligned with the environment-based questions in the BRSR.

In our experience, we see companies aligning their disclosures with international reporting frameworks (including CDP and TCFD) and therefore, they report on climate change-related aspects under BRSR / BRSR Core accordingly.

The RBI published draft guidelines on "Disclosure framework on Climate-related Financial Risks 2024" (**Draft Climate Disclosure Framework**) in 2024 for the banking sector. The Draft Climate Disclosure Framework is divided into four thematic areas: governance, strategy, risk management, and metrics and targets, which is in line with IFRS S2, though not as granular or comprehensive. It currently remains in draft form.

12. Other upcoming developments / direction of travel

India's ESG regulatory framework has, in the past year, signalled a deliberate shift toward purposeful and grounded implementation that balances ambition with practical feasibility. The recent revisions to the BRSR Core framework signal SEBI's intent to preserve disclosure integrity while easing early compliance burdens, especially for complex value chain data and assurance-related costs.

Similarly, the release of the Draft Taxonomy marks a meaningful step towards defining green investments in a manner consistent with Indian national development priorities and reinforcing the broader intent of building a robust and locally grounded ESG system. It also expressly recognises transition finance for hard-to-abate sectors, adaptation, resilience and MSME proportionality, making it more India-specific than a pure "green-only" taxonomy. The Draft Taxonomy has not yet been formally adopted, and its final scope, mandatory status and implementation pathway remain to be seen.

Regulators may adopt a truncated form of the BRSR called BRSR Lite, which may be used by unlisted companies or large public companies on a voluntary basis to begin reporting on sustainability-related issues. We also expect to see an increase in voluntary disclosures as investor interest in their portfolio companies increases. Further, India is expected to move towards greater interoperability with global climate-related disclosure frameworks, including ISSB-aligned concepts. The RBI's Draft Climate Disclosure Framework proposed a broader

climate-related financial risk disclosure regime for certain regulated entities, structured around governance, strategy, risk management, and metrics and targets. This draft remains relevant as an indicator of the regulator's direction of travel, particularly around governance, strategy, risk management, metrics and targets.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes. At COP26 in Glasgow, India announced its commitment to achieve net zero emissions by 2070. The Indian government also aims to become a net exporter of energy in the coming years.

   The Indian government has further outlined new decarbonisation targets and strategies for 2030, which include: (a) achieving 500 GW of non-fossil energy capacity; (b) meeting 50% of its energy requirements from renewable energy; (c) reducing total projected carbon emissions by one billion tonnes between now and 2030; and (d) reducing the carbon intensity of its economy by 45%. India has subsequently announced its Nationally Determined Contributions (**NDCs**) in April 2026 setting out policy targets to reduce emissions intensity of India's GDP by 47% by 2035 from 2005 baseline levels and to achieve approximately 60% of cumulative electric power installed capacity from non-fossil fuel-based energy resources. Importantly, the NDC expressly clarifies that India's commitments do not impose sector-specific emission reduction obligations, including for the agriculture sector, with the overarching objective being the reduction of the overall emissions intensity of the economy through the deployment of clean energy and enhanced energy efficiency.

   India has additionally indicated its intention to utilise voluntary cooperation mechanisms under Article 6 of the Paris Agreement to facilitate the transfer and adoption of emerging technologies including green hydrogen, offshore wind, green ammonia, and carbon capture, utilisation and storage in furtherance of its mitigation objectives.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   India has introduced a compliance-based carbon pricing tool known as the Carbon Credit Trading Scheme (**CCTS**) pursuant to the (Indian) Energy Conservation (Amendment) Act 2022. The CCTS provides the statutory framework for the Indian carbon market and includes both: (a) a mandatory ETS applicable to 'Obligated Entities' in high-emission sectors, and (b) a voluntary offset mechanism for other entities.

   The CCTS was first notified on 28 June 2023 and amended in December 2023. In July 2024, the Bureau of Energy Efficiency (**BEE**) (the administrator of the CCTS) released the Detailed Procedure for Compliance Mechanism under CCTS, which operationalises the scheme.

   'Obligated Entities' are required to meet annual GHG emission intensity targets. Entities that outperform the specified targets receive carbon credit certificates, which are tradeable on approved power exchanges in accordance with terms specified in the Central Electricity Regulatory Commission (Terms and Conditions for Purchase and Sale of Carbon Credit Certificates) Regulations, 2026. These regulations establish the framework governing the exchange of carbon credit certificates on approved power exchanges, operationalising the CCTS. Each of these certificates (representing one tonne of carbon dioxide equivalent) must be traded exclusively through approved power exchanges within prescribed floor and forbearance prices. The Indian carbon market is also being actively operationalised with the launch of the Indian Carbon Market Portal on 21 March 2026. Certificates may be banked for future compliance in the manner prescribed under the Detailed Procedure for Compliance Mechanism and Offset Mechanism of the CCTS.

   Covered sectors include energy-intensive industries such as cement, iron and steel, petrochemicals, pulp and paper, and fertilisers, as listed in Annexure II to the BEE's Detailed Procedure for Compliance Mechanism under CCTS. The scheme also establishes a monitoring, reporting and verification framework and will progressively expand sectoral coverage.

   In pursuance of the compliance mechanism of the CCTS, the Ministry of Environment, Forest and Climate Change notified the Greenhouse Gas Emission Intensity Target Rules 2025 (**GEI Target Rules**) on 8 October 2025, directing mandatory GHG intensity targets for approximately 490 industrial units across key sectors, including aluminium, iron and steel, petroleum

refining, petrochemicals and textiles. These targets apply for the compliance years 2025-26 and 2026-27, and are calculated using 2023-24 as baseline data. Entities that fail to meet their targets and do not purchase sufficient carbon credit certificates will be subject to financial penalties under the (Indian) Environment (Protection) Act 1986, whereby the penalty will be levied by the Central Pollution Control Board (**CPCB**) in the form of environmental compensation, equivalent to twice the average carbon credit certificate price, payable within 90 days.

The CCTS marks a significant step towards India's alignment with its NDCs.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

It is not mandatory to have a transition plan or to disclose a climate strategy in the BRSR or otherwise.

However, the Detailed Procedure for Compliance Mechanism under CCTS requires Obligated Entities to prepare and submit a long-term action plan to reduce, remove, or avoid GHG emissions and to act in accordance with their long-term action plan. Details in relation to compliance with such submitted long-term action plan must be submitted in a specified format. Where the actions implemented in terms of the submitted action plan are found to be inadequate for achieving compliance with the specific GHG emission norm, the shortfall would have to be met by purchasing carbon credit certificates.

This obligation is sought to be reinforced by the introduction of the GEI Target Rules, which require mandatory compliance with GHG emission intensity targets on a per-unit-of-output basis. These targets are set at the facility level and form part of the legally binding requirements applicable to Obligated Entities.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

Presently, companies are not generally required to set or meet climate-related targets.

However, under the Detailed Procedure for Compliance Mechanism under CCTS, Obligated Entities are mandated to meet GHG emission intensity reduction targets. This marks India's first enforceable framework for GHG target-setting at the entity level.

The GEI Target Rules set out specific emission intensity reduction targets for approximately 490 industrial units, covering compliance years 2025-26 and 2026-27. If an Obligated Entity fails to comply with GEI targets and fails to submit the carbon credit certificates equivalent to the shortfall for compliance, CPCB will impose environmental compensation for the shortfall for the respective compliance year, which will be equal to twice the average price at which carbon credit certificates were traded during the trading cycle of that compliance year. The average price shall be determined by the BEE.

Separately, mandatory renewable energy obligations have been prescribed under the Electricity Act 2003, which require specific consumers (e.g. power distribution companies and captive consumers) to consume a certain percentage of electricity from eligible non-fossil sources, as a percentage of the total consumption of electricity.

The mandatory 'Perform, Achieve and Trade' Scheme issued under the (Indian) Energy Conservation Act 2001 also places obligations on designated consumers in specific energy-intensive industries, whose annual energy consumption is equal to or greater than the threshold limit specified by the Central Government notifications, to meet energy savings targets through the issuance of tradeable energy savings certificates.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

Yes. India's circular economy obligations are primarily implemented through a mandatory EPR framework administered under the Environment (Protection) Act 1986. There are no general eco-design standards of broad application; however, mandatory recycled content requirements now function as a de facto product-design obligation in certain sectors.

Producers, importers, and brand owners (**PIBOs**) across sectors such as plastic waste (Plastic Waste Management Rules, 2016 (as amended in 2026)), battery waste (Battery Waste Management Rules, 2022), e-waste (E-Waste Management Rules, 2022), waste tyre (Extended Producer Responsibility for Waste Tyre, 2022), used oil (Hazardous and Other Wastes (Management and Transboundary Movement) Rules, 2016), end-of-life vehicles (Environment Protection (End-

of-Life Vehicles) Rules, 2025), construction and demolition waste (Environment (Construction and Demolition) Waste Management Rules, 2025), non-ferrous scrap metal (Extended Producer Responsibility for Scrap of Non-Ferrous Metals, 2025) and Solid Waste (Solid Waste Management Rules 2026) are subject to mandatory collection, recycling, and reporting targets, enforced through a centralised CPCB digital portal. Enforcement is administered by CPCB and through an EPR Certificate Trading Platform. Under each framework, PIBOs are required to register on the relevant sector-specific digital portal, submit annual action plans, and meet annually escalating collection, recycling, and reporting targets. Compliance obligations are discharged either through direct recycling arrangements with CPCB-registered recyclers or through the purchase of EPR certificates on the National EPR Certificate Trading Platform. Penalties in the form of "environmental compensation" may also be imposed in case of non-compliance with the relevant framework.

While the primary enforcement jurisdiction vests in the CPCB at the national level, enforcement is concurrently administered by the respective State Pollution Control Boards and Pollution Control Committees at the state and union territory level, with the result that PIBOs are required to comply not only with national frameworks but also with varying state-level conditions, directions, and reporting requirements issued by the relevant local authority.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

India does not have an economy-wide mandatory corporate sustainability due diligence regime comparable to the EU's CSDDD and there is currently no legislative proposal for mandatory sustainability due diligence requirements before the Parliament. India's responsible business conduct framework is currently voluntary.

The Ministry of Corporate Affairs has released the National Guidelines on Responsible Business Conduct (**NGRBC**) 2019 setting out a nine-principle framework applicable to all businesses operating in India. The principles address, amongst other matters, human rights, environmental stewardship, fair labour practices, and supply chain responsibility. Compliance with the NGRBC is voluntary and the framework does not give rise to legally enforceable due diligence obligations.

The BRSR mandates disclosures of compliance with the NGRBC principles for the top 1,000 listed companies in India. Whilst BRSR Core disclosures are mandatory for these entities, value chain ESG disclosures under the BRSR remain voluntary and do not constitute a supply chain due diligence obligation.

Section 135 of the Companies Act 2013 mandates a Corporate Social Responsibility spend of 2% of average net profits for qualifying companies. Whilst this creates a statutory accountability mechanism for social and environmental outcomes, it does not impose due diligence obligations and is therefore materially distinct from a due diligence regime.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

The Draft Taxonomy was issued in May 2025 for public consultation. The taxonomy seeks to standardise the classification of climate-aligned economic activities across six sectors being power, mobility, buildings, agriculture, water security, and hard-to-abate industries with the aim of mobilising climate finance. It has not yet been formally notified.

The RBI Master Directions on Climate seeks to enable financial institutions to carry out a comprehensive assessment of climate change risks, integrate those risks into their existing risk management frameworks, and optimise the flow of credit to green activities or projects while overcoming greenwashing challenges and protecting depositors' interests. It requires regulated entities to assess and integrate climate change risks into their risk management frameworks and, where they raise green deposits, to publish third-party verification / assurance and impact assessment reports and place a review report before the board covering green deposit proceeds and allocations.

As mentioned in section A.2 above, SEBI has also issued frameworks for ESG Debt Securities and green debt securities, as well as guidelines on a new category of mutual funds labelled as "ESG Mutual Funds" that invest a minimum of 65% of assets under management in companies that report under the BRSR.

Additionally, India has issued multiple tranches of sovereign green bonds since January 2023 under the Sovereign Green Bonds Framework 2022.

8. Other upcoming developments / direction of travel

India is rapidly accelerating the rollout of its domestic carbon market architecture, with both the compliance and voluntary offset mechanisms under the CCTS already under implementation. The formal notification of the GEI Target Rules, with quantifiable prescribed penalties for non-compliance marks a significant milestone in the implementation of India's vision of achieving net-zero carbon emissions by 2070. Building on this foundation, the Ministry of Power has also launched the Indian Carbon Market Portal on 21 March 2026 which serves as a digital platform for trading carbon credits.

On the renewable energy front, the Parliamentary Standing Committee on Energy is actively reviewing a wind energy roadmap against India's target of 100 GW of wind power by 2030.

The Green Hydrogen Mission (2023) continues to advance with the Strategic Interventions for Green Hydrogen Transition programme. A Green Hydrogen Certification Portal was launched on 17 June 2026 by the Union Minister for New and Renewable Energy to further support the green hydrogen ecosystem.

Taken together, these developments reflect a coordinated and accelerating whole-of-government effort to align India's economic growth trajectory with its NDC commitments and long-term climate goals.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

No.

2. Are there any laws or regulations specifically dealing with greenwashing?

Yes. The Advertising Standards Council of India (**ASCI**) is a voluntary self-regulatory organisation and its aim is to ensure that advertisements in India are fair, honest, and compliant with the ASCI's Code for Self-Regulation of Advertising Content in India (**ASCI Code**). The ASCI's decisions are not binding, unless the party in question submits to them.

The ASCI issued Guidelines for Advertisements Making Environmental / Green Claims, effective from 15 February 2024 (**ASCI Guidelines**), which explain the ASCI's approach in determining whether an environmental / green claim on advertisements violates Chapter I of the ASCI Code.

The ASCI has applied the ASCI Guidelines to advertising claims, specifically targeting fast-moving consumer goods companies making absolute, unqualified claims (such as "100% natural", "chemical-free", and "eco-friendly") for products containing synthetic ingredients, as well as electronics manufacturers exaggerating the energy-efficiency ratings of their appliances.

While decisions of the ASCI are non-binding, the Central Consumer Protection Authority (**CCPA**) has requested the ASCI to forward any advertisements that are non-compliant with the ASCI Code and which could potentially violate the Consumer Protection Act 2019 to it, for appropriate action.

The CCPA also issued Guidelines for Prevention and Regulation of Greenwashing and Misleading Environmental Claims 2024 (**CCPA Guidelines**) on 15 October 2024, which apply to all advertisements in respect of goods or services, and require that environmental and green claims be substantiated through appropriate disclosures backed by verifiable evidence. The CCPA also monitors the market, treating greenwashing, including misleading social claims regarding ethical sourcing, fair trade, or labour practices, as an "unfair trade practice" and a "misleading advertisement" under the (Indian) Consumer Protection Act, 2019. Any contravention of the CCPA Guidelines is considered to be a violation of the Consumer Protection Act 2019 and is punishable by imprisonment and a fine.

SEBI has introduced stringent disclosure requirements[3] for issuers of Green Debt Securities, such as continuous monitoring, prohibition of utilisation of funds for non-green purposes, prohibition of misleading labels, and highlighting green practices while hiding unfavourable information.

3 Housed in Chapter IX-A of SEBI's Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper, titled 'Dos and Don'ts Relating to Green Debt Securities to Avoid Occurrences of Greenwashing', dated 22 May 2024

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Likely grounds include:

(a) failure to meet disclosure requirements under securities laws and regulations – e.g. providing materially false or misleading information in listing documents or other corporate and ESG disclosure documents such as the BRSR;

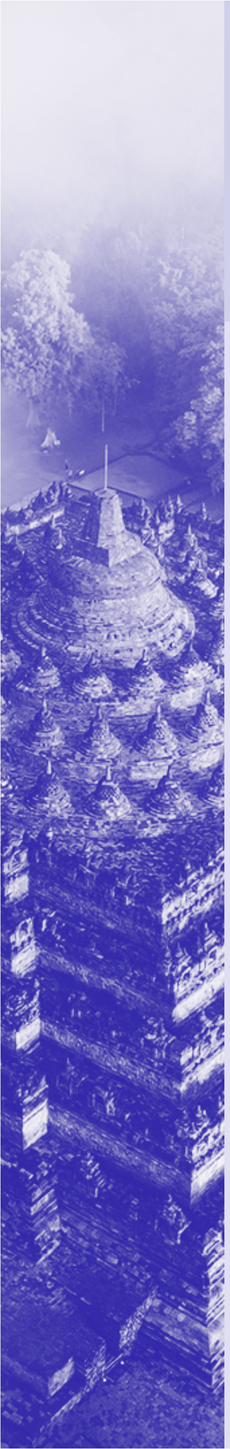
(b) breaches of directors' duties – e.g. section 166 of the (Indian) Companies Act 2013, which requires a director to act in the best interests of the company and towards the protection of the environment; and

(c) claims for misrepresentation, misleading or false advertisement where environmental / green claims are used falsely, without adequate substantiation, or without appropriate disclosures and qualifications as to the scope of the claim so as to be misleading.

There are also risks of regulatory enforcement under codes or guidance issued by financial regulators for the issuance and listing of Green Debt Securities and ESG disclosures.

4. Other upcoming developments / direction of travel

Presently, there have been no noteworthy greenwashing claims in India or actions initiated against directors for breach of their duties in relation to sustainability matters. However, the risk is expected to increase as reporting requirements become more robust and action in relation to false or misleading environmental and green claims under the Consumer Protection Act 2019 increases in view of the ASCI Guidelines and the CCPA's focus on greenwashing. However, notably, unlike certain Western jurisdictions, India has not witnessed any "anti-ESG" lawsuits or political backlash.



Indonesia

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Indonesia.

ESG in APAC – Indonesia
By SSEK Law Firm

Year in review
(1 July 2025 to 30 June 2026)

- Indonesia is mandating ISSB-aligned sustainability disclosures for financial sector entities and listed companies from 1 January 2027 under a phased approach. A draft regulation to align the existing sustainability reporting framework with IFRS S1 and IFRS S2 is in consultation stage.
- Indonesia has revamped its carbon trading regime, reflecting the government's commitment to strengthening market-based mechanisms for emissions reduction. It has launched a new carbon credit registry system, expanded the scope of tradable carbon credits, and provided for the trading of foreign carbon credits.
- The electricity supply plan for the 2025-2034 period includes targets to achieve a 34.3% new and renewable energy mix by 2034, develop 42,569 MW of renewable energy power plants, and develop 10,256 MW of energy storage systems to support renewable energy integration.
- The draft Law on Climate Change Management (which would serve as a unified framework for climate change management encompassing aspects such as carbon pricing and climate change inventory) remains under legislative development but has been included in the 2026 Priority National Legislation Program.
- A forced labour import ban took effect in April 2026, signalling Indonesia's stronger efforts against forced labour in global supply chains.

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Yes, ESG disclosures are mandatory for primarily publicly listed companies and financial institutions.

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

(a) Financial Services Authority (Otoritas Jasa Keuangan or **OJK**) Regulation No. 51/POJK.03/2017 of 2017 regarding the Implementation of Sustainable Finance for Financial Service Institutions, Issuers (Emiten), and Public Companies (dated 27 July 2017) (**OJK Reg. 51/2017**). This regulation imposes obligations on financial service institutions, issuers and public companies to implement sustainable finance principles and to submit a Sustainability Report, either as part of their annual report or as a standalone report, annually to the OJK and to make the report publicly accessible.[1]

(b) OJK Circular Letter No. 16/SEOJK.04/2021 regarding the Form and Substance of the Annual Report of Issuers (*Emiten*) and Public Companies (dated 29 June 2021) (**OJK CL 16/2021**). OJK CL 16/2021 governs the form and content of ESG disclosures in the annual reports of publicly listed companies and issuers. Disclosures include:

(i) a list of industry associations (national or international) related to the implementation of sustainable finance;[2] and

(ii) the actions taken by the company as part of its social and environmental responsibility. This disclosure shall form the Sustainability Report as per OJK Reg. 51/2017. The relevant explanations must at least include:

- the company's sustainability strategy;
- a summary of the company's sustainability efforts (economic, social, and environmental);
- Board of Directors' remarks;
- sustainable governance;
- sustainable performance;
- written verification by independent party(ies), if any;
- feedback from readers, if any; and
- response of the publicly listed company to the feedback from the previous year's report.

(c) OJK Regulation No. 17 of 2023 regarding the Implementation of Governance for General Banks (dated 14 September 2023) (**OJK Reg. 17/2023**) mandates that banks must prepare and publish a sustainability report guided by OJK Reg. 51/2017.[3]

(d) The Minister of State-Owned Enterprises (**MSOE**) Regulation No. PER-2/MBU/03/2023 of 2023 regarding Guidelines for the Organisation and Significant Corporate Activities of State-Owned Enterprises (dated 24 March 2023) (**MSOE Reg. 2/2023**). State-owned enterprises are required to prepare reports on a quarterly and annual basis through their Board of Directors containing, among other information, reports on the implementation of their social and environmental programmes.[4] These reports must also be made accessible

1 Arts. 1 point 13, 2(1), 10(1)-(3), 12, OJK Reg. 51/2017.
2 Pages 26-27, OJK CL 16/2021.
3 Art. 96, OJK Reg. 17/2023.
4 Arts. 214(1)(g), 217 (1)(g), MSO Reg. No. 2/2023.

to the public.[5] A sustainability report may be voluntarily included as part of the annual report.[6]

(e) Law No. 40 of 2007 regarding Limited Liability Companies (dated 16 August 2007), as last amended by Law 6 of 2023 regarding the Stipulation of Government Regulation in Lieu of Law No. 2 of 2022 regarding Job Creation into Law (dated 31 March 2023) (**Law No. 40/2007**). This law requires limited liability companies to include a disclosure on the fulfilment of social and environmental responsibilities in their annual reports.[7] Further details governing such responsibilities are set out under Government Regulation No. 47 of 2012 regarding the Social and Environmental Responsibilities of Limited Liability Companies (dated 4 April 2012).

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

The disclosure requirements in the regulations mentioned above are mandatory, with the exception of the sustainability report referred to in MSOE Reg. 2/2023.

4. Which aspects of ESG do the requirements focus upon?

Overall, the requirements cover economic, environmental, social and governance aspects.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

Indonesia's current disclosure requirements are not based on international standards. However:

(a) reference to international standards is possible when preparing Sustainability Reports pursuant to OJK Reg. 51/2017 and OJK CL 16/2021 and certain sections are to be disclosed with reference to the 17 UN Sustainable Development Goals; and[8]

(b) OJK is currently preparing amendments to OJK Reg. 51/2017 to align Indonesia's sustainability reporting framework with General Requirements for Disclosure of Sustainability-related Financial Information (**PSPK 1**) and Statement of Sustainability Disclosure Standards 2 on Climate-related Disclosures (**PSPK 2**), which are substantially aligned with IFRS S1 and IFRS S2. The Draft OJK Regulation 2026 (**RPOJK 2026**) entered public consultation in February 2026 which has since concluded.[9] See section A.11 below for more detail on the implementation of PSPK 1 and PSPK 2.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

The disclosures contained in Sustainability Reports prepared pursuant to OJK Reg. 51/2017 and OJK CL 16/2021 adopt a double materiality approach.[10] However, no explicit guidance is provided in MSOE Reg. 2/2023 regarding the particular approach to be applied to state-owned enterprises.

7. Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

Yes.

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5 Art. 221(2)(c), MSO Reg. No. 2/2023.

6 Art. 221(3), MSO Reg. No. 2/2023.

7 Art. 66(2), Law No. 40/2007.

8 Page 6, Annex II, OJK CL 16/2021.

9 https://keuanganberkelanjutan.ojk.go.id/keuanganberkelanjutan/ArticleList/View/2049/otoritas-jasa-keuangan-gelar-konsultasi-publik-atas-perubahan-pojk-51-2017-tentang-penerapan-keuangan-berkelanjutan-bagi-lembaga-jasa-keuangan-emiten-dan-perusahaan-publik#:~:text=Permintaan%20Tanggapan%20Tertulis,penyampaian%20tanggapan%3A%2013%20Maret%202026

10 For impact materiality, please see, inter alia, pages 6, 8, 10, Appendix II, OJK Reg. 51/2017. For single materiality, please refer to pages 7, 8, Appendix II, OJK Reg. 51/2017. Based on our understanding, the Appendix to OJK CL 16/2021 merely replicates in greater detail while providing examples of points already disclosed in Appendix II to OJK Reg. 51/2017.

Sustainability reports

A Sustainability Report prepared pursuant to OJK Reg. 51/2017 and OJK CL 16/2021 must disclose the amount of emissions produced by financial institutions, issuers and public companies through their business activities directly related to the environment.[11] Such entities must also disclose limited categories of Scopes 1, 2 and 3 GHG emissions: Scope 1 (regarding consumption of fuel), Scope 2 (regarding usage of electricity) and Scope 3 (regarding official travel by flight) emissions.[12] While no specific methodology was designated for these disclosures, international standards may be employed and identified in the Sustainability Report.[13]

Once implemented, RPOJK 2026 would expressly require financial sector entities, issuers and public companies to calculate and disclose information on GHG emissions, including Scope 1, Scope 2 and Scope 3 emissions, under a phased approach.[14] During the first three years of reporting, entities would not be required to disclose Scope 3 emissions and would be permitted to use alternative methodologies, other than the GHG Protocol, to measure GHG emissions.[15] At the end of the three-year transition, a review will be conducted to determine whether disclosure of Scope 3 emissions will be mandated.[16] The draft regulation would also allow emissions data to be obtained through direct measurement and/or estimation.[17] To date, it has not been indicated if the IFRS S2 December 2025 Amendments (which eased Scope 3 reporting for the financial sector) will be incorporated.

Centralised systems

The following regulations require emissions data to be reported to centralised governmental systems:

(a) Ministry of Environment and Forestry (**MOEF**) Regulation No. 13 of 2021 regarding the Continuous Industrial Emission Monitoring Information System - requires all businesses or activities mandated to monitor their emissions using the Continuous Emissions Monitoring System (**CEMS**) to integrate their data into the Information on Continuous Industrial Emission Monitoring System (**SISPEK**).

Ten industries are required to use SISPEK, namely: iron and steel smelting, pulp and paper, synthetic fibre (*rayon*), carbon black, oil and gas, mining, thermal waste treatment, cement, thermal power generation, and fertiliser and ammonium nitrate. These industries are further regulated by sectoral regulations.

(b) Presidential Regulation No. 110 of 2025 regarding the Implementation of Carbon Economic Value Instruments and National Greenhouse Gas Emissions Control (dated 10 October 2025) (**PR 110/2025**) - requires business actors, regents/mayors, governors and relevant ministries to report on corporate, sectoral, regency/city and provincial GHG emissions for the purposes of inventorying GHG emissions in the context of implementing climate change mitigation acts to achieve Indonesia's targeted NDCs.[18]

In this vein, the relevant measurements, especially with regard to reductions in GHG emissions, should meet with the customary

11 Section A(2)(b)(2), Appendix II, OJK Reg. 51/2017.
12 Page 11, Appendix II, OJK Reg. 51/2017; page 40, section F11, Appendix, OJK CL 16/2021.
13 Page 41, Appendix, OJK CL 16/2021.
14 Art. 20(1), RPOJK 2026.
15 Page vi, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%202%20-%20Draf%20Eksposur.pdf.
16 Page viii, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%202%20-%20Draf%20Eksposur.pdf.
17 Art. 20(2)b, RPOJK 2026.
18 Arts. 10, 11(1), 14, PR 110/2025.

standards of the UN Framework Convention on Climate Change or the Intergovernmental Panel on Climate Change.[19]

8. Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?

Independent assurance of ESG disclosures is encouraged but not mandatory. If independent verification of a Sustainability Report is obtained, relevant details should be disclosed pursuant to OJK Reg. 51/2017 and OJK CL 16/2021.

However, once implemented, RPOJK 2026 would phase in requirements for financial sector entities, issuers and public companies in Groups 1, 2 and 3 (as outlined in section A.11 below) to obtain independent verification of their Sustainability Reports by an independent third party.[20]

9. For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?

A few notable companies in various sectors (such as drinking water and nutrition) have issued sustainability reports even though it is not mandatory for them.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

Yes. Indonesia introduced a voluntary Taxonomy of Sustainable Finance aimed at supporting Indonesia's Sustainable Development Goals, covering economic, environmental, and social aspects. The taxonomy serves as a guide to enhance capital allocation and sustainable financing, thereby supporting Indonesia's goal of achieving net-zero emissions by 2060.

The taxonomy was developed for the following sectors outlined in Indonesia's Enhanced NDCs document: (a) energy; (b) construction and real estate; (c) transportation and storage; (d) agriculture, forestry, and fishing; (e) manufacturing; (f) water supply, sewerage, waste management, and remediation; (g) information and communication; and (h) professional, scientific, and technical activities.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Yes. The Indonesian Sustainability Standards Board, under the Institute of Indonesia Chartered Accountants (*Ikatan Akuntan Indonesia*) (**DSK IAI**), adopted both IFRS S1 and IFRS S2 through the approval of the Exposure Draft of the Sustainability Disclosure Standards (**SPK**) on 17 December 2024, which were finalised and issued on 1 July 2025.[21] The SPK consists of PSPK 1 and PSPK 2, which are substantially aligned with IFRS S1 and IFRS S2, respectively, with slight modifications.[22] These adjustments mainly concern the effective date of the provisions, transitional provisions, and clarifications on reporting timelines and the voluntary nature of Scope 3 emissions disclosures.[23]

To support implementation, a Sustainability Disclosure Standards Roadmap was developed to outline a phased adoption approach and to build the necessary ecosystem for full compliance, including plans to update the current regulatory framework – which relies on OJK Reg. 51/2017 – to mandate the SPK by 2027.[24] As noted in section A.5(b) above, the legislative update is in progress, with the OJK preparing the relevant amendments to incorporate PSPK 1 and PSPK 2.

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19 Arts. 13(5), 56(2), 65(3)c, 67, 68(3), PR 110/2025.
20 Art. 24 RPOJK 2026.
21 https://web.iaiglobal.or.id/Berita-IAI/detail/dsk_iai_sahkan_standar_pengungkapan_keberlanjutan_pspk_1_dan_pspk_2#gsc.tab=0
22 https://web.iaiglobal.or.id/Berita-IAI/detail/ratification_of_exposure_draft_sustainability_disclosure_standards#gsc.tab=0
23 Page iv, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%201%20-%20Draf%20Eksposur.pdf
24 Page 21, Illustration 1, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf

The enhanced mandatory sustainability disclosures are proposed to come into effect on 1 January 2027, with an option for early voluntary adoption, and be phased in over a three-year transition period for financial sector business actors (**PUSK**), issuers[25] and public companies.[26] Under the current draft regulation, it is envisaged that:

(a) PUSK, issuers and public companies must report their sustainability performance through a Sustainability Report, which is required to be submitted to the OJK and made publicly available on an annual basis. PUSK that are financial services institutions must also submit a Sustainable Finance Action Plan to the OJK annually, but this is not required to be made publicly available.

(b) The Sustainability Report must be prepared based on sustainability disclosure standards under Article 5(1)(a) and by reference to other required sustainability aspects. Although the current draft regulation does not expressly specify the ISSB-aligned PSPK 1 and PSPK 2 as the disclosure standards, the OJK has indicated its intention to align with these standards and the draft regulation refers to standards that cover the four pillars of sustainability governance, sustainability strategy, sustainability-related risk management, and metrics and targets.

(c) Reporting entities must also establish a transition plan to manage the impacts of sustainability-related risks and opportunities and achieve sustainability targets. For PUSK that are Financial Services Institutions, the transition plan must be included in the Sustainable Finance Action Plan and disclosed in the Sustainability Report. Other PUSK, issuers and public companies must disclose the transition plan in the Sustainability Report. The detailed reporting format will be prescribed by an OJK Board of Commissioners Regulation.

(d) The requirements under Article 5(1)(a) will be phased in as follows:[27]

(i) **Group 1 – 2027 reporting period**: banks within KBMI 3 and KBMI 4, branches of foreign banks (*KCBLN*), the Stock Exchange, and issuers or public companies listed on the Main Board or New Economy Board;

(ii) **Group 2 – 2028 reporting period**: banks within KBMI 1 and KBMI 2, issuers listed on the Development Board, and issuers of debt securities or sukuk (*EBUS*); and

(iii) **Group 3 – 2030 reporting period**: issuers listed on the Special Monitoring Board, BPJS Health and BPJS Employment, and other specified financial sector entities, including insurance companies, pension funds and financing companies, with total assets of at least IDR 5 trillion.

Groups 2 and 3 may voluntarily apply Article 5(1)(a) earlier. For PUSK that are also issuers or public companies, the earlier applicable implementation date will apply.

As the relevant OJK regulation remains in draft form, details may be subject to change before the regulation is finalised.

With respect to the adoption or incorporation of other international ESG reporting frameworks, there are currently no official plans by the Indonesian government to do so. Although there is no regulation mandating the adoption of the TNFD framework in Indonesia, the State Electricity Company (PT PLN) has voluntarily adopted the TNFD framework since December 2024.

12. Other upcoming developments / direction of travel

Following the SPK's implementation expected in 2027, the DSK IAI will conduct a post-implementation review from 2027 to 2029. This review will assess the state of the sustainability reporting ecosystem, particularly in relation to non-climate disclosures.

25 A party that conducts a public offering in Indonesia. This includes issuers of equity securities as well as issuers of debt securities or sukuk (*EBUS*).

26 A company that meets the shareholder and paid-up capital thresholds prescribed by OJK regulations, which under the current draft regulation generally means at least 300 shareholders and paid-up capital of at least IDR 3 billion.

27 Arts 7 & 8 RPOJK 2026.

The results of this review, alongside developments in the ISSB Standards, will guide future decisions on the scope and direction of sustainability reporting under the SPK.[28]

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes, Indonesia has set targets to reduce carbon emissions by 31.89% (unconditionally) and by 43.2% (conditionally), which were included in Indonesia's Enhanced NDCs Document that is to be aligned with the Long-Term Low Carbon and Climate Resilience Strategy 2050 with a vision to achieve net-zero emissions by 2060. While the targets are set out in the NDCs Document, the implementation framework for achieving the NDC is embedded in PR 110/2025. PR 110/2025 provides the legal framework for, among other things, carbon allocation, NDC formulation and implementation, carbon economic value instruments, transparency mechanisms, monitoring and evaluation, and governance arrangements.

PR 110/2025 provides that NDC implementation is carried out through climate change mitigation and climate change adaptation. These strategies include:[29]

(a) development of ownership and commitment;

(b) capacity building;

(c) creation of enabling conditions;

(d) formulation of a framework and communication network;

(e) policy for a single inventory of GHG and climate resilience data;

(f) formulation of policies, plans, and programmes;

(g) development of NDC implementation guidelines;

(h) implementation of the NDCs; and

(i) monitoring and review of the NDCs.

PR 110/2025 also requires the NDC strategies to be further detailed in an NDC roadmap, which must at least include baseline details, target details, mitigation and adaptation scenarios, governance, funding needs and sources, technology, and capacity building.[30] In addition, mitigation is to be implemented across sectors and sub-sectors.[31] The relevant sectors include energy, waste, industrial processes and product use, agriculture, forestry, and marine and fisheries.

Energy

For the energy sector, particularly the electricity sector, Indonesia has adopted a sectoral transition roadmap. PR 112 of 2022 regarding the Acceleration of Renewable Energy Development for the Supply of Electrical Power (dated 13 September 2022) (**PR 112/2022**) requires the MEMR to prepare a roadmap for the accelerated retirement of coal-fired power plants, including plans to reduce GHG emissions from such plants and strategies for accelerating the end of their operational periods. This is further implemented through MEMR Regulation No. 10 of 2025 on the Roadmap for Energy Transition in the Electricity Sector (**MEMR Regulation No 10/2025**), which aims to support the achievement of net-zero emissions through the transition from non-renewable energy to new and renewable energy. The roadmap includes, among other things, biomass co-firing, dedieselization, gasification, retrofitting fossil-fuel power plants with low-carbon technologies, expansion of new and renewable energy and nuclear power development. It also restricts the development of new coal-fired power plants and provides a framework for the accelerated retirement of existing coal-fired power plants, based on technical, environmental, economic, grid reliability, tariff, funding, technology, and just transition considerations.

28 Page 14-15, Para 29, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf
29 Art. 7(2), PR 110/2025.
30 Art. 7(3), PR 110/2025.
31 Art. 9(2), PR 110/2025.

Waste

The Ministry of Environment and Forestry launched the Zero Waste Zero Emission 2050 operational plan in 2024, which sets out a strategic approach for the waste sector to achieve zero waste by 2040 and zero or near-zero emissions by 2050. The plan projects waste sector emissions to peak in 2030 at approximately 217 million tCO_2e, before declining to approximately 62 million tCO_2e by 2050 and 9 million tCO_2e by 2060.[32]

In addition, Presidential Regulation No. 109 of 2025 introduces a revised framework for accelerating waste-to-energy development as part of Indonesia's broader waste management and decarbonisation agenda. The regulation centralises the selection of waste-to-energy developers, removes the obligation for regional governments to pay tipping fees, provides for electricity tariffs of up to USD 0.20 per kWh, and requires regional governments to make project land available free of charge for up to 30 years. The programme has since progressed into the implementation stage, including projects in Greater Denpasar, Bekasi City and Greater Bogor, which have been designated as National Strategic Projects, as well as the execution of initial project agreements for the Bali project.[33]

Industry

The Ministry of Industry (**MOI**) is preparing an Industrial Decarbonisation Roadmap, which targets net-zero emissions for the industrial sector by 2050.[34] The roadmap covers nine energy-intensive industrial sub-sectors, namely cement, metals, fertilisers, chemicals, pulp and paper, textiles, glass and ceramics, automotive, and food and beverages. Based on available information, the roadmap projects emissions reductions of approximately 66.5 million tCO_2e by 2035 and 289.7 million tCO_2e by 2050, using strategies such as energy and material efficiency, fuel and material switching, electrification and low-carbon power, process upgrades, and CCUS. The roadmap is expected to be implemented through MOI regulations to be issued gradually for each sub-sector.

Forestry

Indonesia has adopted the FOLU Net Sink 2030 policy, which aims to support the achievement of Indonesia's NDC through a carbon net sink approach in the forestry and other land use sector by 2030.[35] The policy refers to the NDC Mitigation Roadmap and the Long-Term Strategy on Low Carbon and Climate Resilience 2050, and covers measures including reducing deforestation and forest degradation, developing plantation forests, sustainable forest management, social forestry, forest rehabilitation, peat restoration and water management, mangrove rehabilitation and conservation, biodiversity conservation, and strengthening monitoring, evaluation and public communication.

Marine and Fisheries

Indonesia has prepared the National Action Plan for the Protection and Management of Blue Carbon Ecosystems 2025–2030, which focuses on mangrove and seagrass ecosystems. The action plan seeks to support climate mitigation and adaptation through blue carbon management. Its key measures include expanding marine protected areas to 32.5 million hectares by 2030, strengthening coastal ecosystem zoning, rehabilitating mangroves and seagrass ecosystems, preparing modalities for integrating blue carbon into the NDC and carbon economic value framework, developing GHG inventory and MRV systems for blue carbon, and supporting blue economy and climate-resilient coastal development. Separately, the Roadmap for Climate Change Mitigation in the Marine and Fisheries Sector under Minister of Maritime Affairs and Fisheries Decree No. 52 of 2024 regarding the Roadmap for Climate Change Mitigation in the Maritime Affairs and Fisheries Sector (dated 28 July 2024) addresses direct emission reductions from sectoral activities such as capture fisheries, aquaculture, and fish processing.

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32 https://en.antaranews.com/news/318840/zero-waste-zero-emission-2050-to-reduce-waste-emissions-minister

33 https://www.danantaraindonesia.co.id/media-center/press-releases/wte-psn-bekasi-bogor-denpasar

34 https://wri-indonesia.org/id/berita/pemerintah-susun-peta-jalan-industri-nol-emisi-bersih-pada-2050?__cf_chl_f_tk=izSv9HgO5NnO4ki92uowrZ6lVYTnMSBY_5u9776ix68-1783053678-1.0.1.1-iLEDjD1V4SE3pov.T1IJNnpoLyhrHDKvikKerBWKbo4

35 MOEF Decree No. SK.168/MENLHK/PKTL/PLA.1/2/2022 regarding Indonesia's Forestry and Other Land Use (**FOLU**) Net Sink 2030 for Climate Change Control (dated 24 February 2022).

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Yes. Indonesia has adopted mandatory carbon pricing mechanisms, principally through a compliance carbon trading scheme for the power generation sector. Indonesia is planning a carbon tax, but there is currently no plan to introduce a domestic carbon border adjustment mechanism.

Compliance carbon market

The compliance carbon market was launched in 2023 and is being implemented in three phases.[36] The first phase (originally 2023-2024) is limited to coal-fired power plants (**PLTUs**) connected to PT PLN's grid.[37] This phase is currently ongoing, while the implementation of subsequent phases has been delayed.[38] It covered 99 coal-fired PLTUs in 2023, with an additional 47 PLTUs included in 2024, bringing the total number of covered PLTUs in this phase to 146.[39] However, no sales have been conducted to date during this phase.[40]

MEMR Decree No. 14.K/TL.04/MEM.L/2023 sets out the technical approval for emissions ceilings (**PTBAE**) applicable for the coal-fired PLTUs included in the first phase.[41]

The second phase (originally planned for 2025-2027) and the third phase (originally planned for 2028-2030) will expand coverage to include oil- and gas-fired PLTUs, as well as coal-fired PLTUs not connected to PT PLN's grid.[42] The PTBAE for the second and third phases has not yet been determined,[43] despite a deadline of 31 December 2024 provided by the regulation, but is expected to be more stringent than that of the first phase.[44] However, several policy and regulatory issues have delayed its effective implementation.[45]

The legal basis for implementing a cross-sectoral ETS in Indonesia, including detailed roadmaps and procedures, is provided under Ministry of Energy and Mineral Resources (**MEMR**) Regulation No. 16 of 2022 regarding Guidelines for the Implementation of Carbon Economic Value in the Power Plant Sub-Sector (dated 27 December 2022).[46]

In parallel, the recent enactment of Ministry of Forestry Regulation No. 6 of 2026 (dated 13 April 2026) provides a sector-specific framework for carbon trading through GHG emission offsets in the forestry sector. The regulation implements PR 110/2025 and sets out, among other things, the relevant responsible parties, carbon units, MRV, validation and verification requirements, ministerial authorisation and corresponding adjustment requirements for international carbon trading, ESG and community safeguards, and applicable non-tax state revenue (**PNBP**) obligations for forestry carbon transactions.

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36 Art. 4(3), MEMR Regulation 16/2022.
37 Art. 5(2)(a), MEMR Regulation 16/2022.
38 https://esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-
39 https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
40 https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
41 https://esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-
42 https://www.esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-
43 https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
44 Art. 5(2)(b), MEMR Regulation 16/2022.
45 https://carbon-pulse.com/369491/; https://www.spglobal.com/commodity-insights/en/news-research/latest-news/energy-transition/121324-commodities-2025-asias-emerging-compliance-carbon-markets-to-gather-pace
46 https://www.esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-

Voluntary carbon market

Further progress has also been made in the development of voluntary carbon trading markets. OJK Reg. 14/2023 as amended by OJK Reg. 10/2026 provides the basic legal framework for carbon trading through the Indonesia Carbon Exchange (**IDX Carbon**), which launched in September 2023 for the trading of domestic voluntary carbon credits and potentially international voluntary carbon credits. The OJK has issued a carbon exchange licence to the Indonesia Stock Exchange. Outside of IDX Carbon, carbon trading can be conducted by direct trade, with the requirement that any direct trade must be recorded in the National Climate Change Control Registry System (**SRN PPI**).[47] Following the issuance of **OJK Regulation No. 10 of 2026**, which became effective on 6 July 2026, carbon units traded through carbon exchange operators must be recorded in the Carbon Unit Registry System (**SRUK**), which replaces the SRN PPI.[48] The amended framework also expands the scope of tradable carbon units, provides for the trading of foreign carbon units that are not recorded in SRUK, requires carbon exchange operators to submit certain reports to the relevant ministries, applies relevant consumer and community protection principles to parties involved in carbon trading through carbon exchanges, and facilitates the trading of carbon units recorded in ministry-level electronic systems until SRUK becomes operational, for a maximum period of three months from the promulgation of OJK Reg. 10/2026.[49]

Overseas carbon trading requires prior authorisation from the Ministry of Environment (**MOE**) only if the relevant carbon units are used for the fulfilment of another country's NDC, international mitigation obligations, or other international obligations; overseas offset trading that is not used for such purposes does not require such authorisation.[50]

Under the current Indonesian carbon trading framework, relevant stakeholders may acquire GHG emission offsets to meet their compliance obligations subject to the applicable registration, recommendation and/or approval requirements under PR 110/2025.[51]

Proposed carbon tax

In 2021, the Indonesian Government issued Law No. 7 of 2021, regarding the Harmonisation of Tax Regulations (dated 29 October 2021), which sets out that a carbon tax will be imposed on carbon emissions that have a negative impact on the environment. The carbon tax rate is IDR 30 per kilogram of CO2 or equivalent to around US$1.85 per tCO2.

The implementation of the carbon tax will target industries with high carbon emissions, starting with coal-fired power plants, which was to begin in 2022, with the full imposition of the carbon tax in 2025. However, the imposition of the carbon tax for coal-fired power plants has been postponed several times.

As of July 2026, the Indonesian government has not issued any official announcement regarding the imposition of a carbon tax on coal-fired power plants. The full implementation of the carbon tax will be carried out in phases, in line with the readiness of the relevant sectors, taking into consideration, among other factors, economic conditions, industry preparedness, potential impacts, and scale.

47 Art. 46(1)(d), MOEF Regulation No. 21 of 2022 regarding the Procedures for the Implementation of Carbon Economic Value (**MOEF Reg. 21/2022**).
48 https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/OJK-Terbitkan-POJK-Baru-Perdagangan-Karbon-Melalui-Bursa-Karbon.aspx
49 https://ojk.go.id/id/berita-dan-kegiatan/siaran-pers/Pages/OJK-Terbitkan-POJK-Baru-Perdagangan-Karbon-Melalui-Bursa-Karbon.aspx
50 Arts. 68(1)a, 68(2), PR 110/2025; Arts. 4(3)(c), 19(a), 20(3), 25(1), MOEF Reg. 21/2022.
51 Art. 63, 65, 67 PR 110/2025.

3. Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?

There are regulations governing the requirements for companies to have in place and/or disclose aspects of climate-related transition plans:

(a) PR 110/2025 obliges every business actor[52] to record and report, among other things, its climate change mitigation and adaptation plans and actions. This report is to be recorded in the SRN PPI.[53]

(b) OJK Reg. 17/2023 obliges banks to apply good corporate governance in the context of managing climate-related risk.[54] This obligation requires banks, among other entities, to maintain appropriate policies, procedures, and controls pertaining to the effective management of climate risks.[55] No further guidance is provided in this regard.

While not explicitly stated in the context of climate risk management, OJK Reg. 17/2023 does require banks to duly consider, implement, and integrate ESG values including through social enrichment of the community.[56]

(c) MEMR Decree No. 188.K/TL.03/MEM.L/2025 regarding the Ratification of the Electricity Supply Business Plan (**RUPTL**) of PT PLN from 2025 to 2034 (**MEMR Decree No. 188/2025**) applies to PT PLN (i.e. the State Electricity Company). This decree approves the **RUPTL 2025–2034** which functions as the mandatory operational roadmap for PT PLN in the electricity sector. The RUPTL 2025–2034 includes electricity sector transition targets, including achieving a new and renewable energy mix of 34.3% by the end of 2034, constructing 42,569 MW of renewable energy power plants, and developing 10,256 MW of energy storage systems to support renewable energy integration. MEMR may impose administrative sanctions if PT PLN fails to implement the RUPTL 2025–2034, submit required reports, or comply with ministerial orders to amend or change the plan.

Please also refer to section A.11(c) above regarding the plans to require PUSK, issuers and public companies to establish and disclose a transition plan to manage the impacts of sustainability-related risks and opportunities and achieve sustainability targets, with the detailed reporting format to be prescribed by the OJK.

4. Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?

Yes, while OJK Reg. 51/2017 and OJK CL 16/2021 do not explicitly require the disclosure of climate-related targets, they oblige the disclosure of certain sustainability targets that were achieved in the past three years.[57] PR 112/2022 establishes certain targets for PT PLN (i.e. the State Electricity Company) to meet, including prioritising the purchase of electricity from power plants utilising renewable energy.

The government has also outlined its commitment to energy efficiency through GR No. 33 of 2023 regarding Energy Conservation (dated 16 June 2023) which has been further implemented through several regulations issued by the MEMR setting out the technical requirements and implementation procedures. The regulations require various stakeholders – including governmental bodies and private entities such as energy producers and users – to implement energy conservation measures, which include, among other things, energy management, the use of energy-efficient technologies, regular energy audits, and compliance with energy efficiency standards,

52 Business actor is defined as any individual or business entity that engages in business and/or activities in certain sectors.
53 Art. 87(1), PR 110/2025.
54 Art. 125(1), OJK Reg. 17/2023.
55 Art. 125(2)(c), OJK Reg. 17/2023.
56 Art. 124(f), OJK Reg. 17/2023.
57 Pages 12, 21, Annex II, OJK CL 16/2021; section F.12, Annex II, OJK CL 16/2021.

both upstream (primarily aimed at conserving energy resources) and downstream (focused on enhancing energy efficiency and conservation through energy-saving practices and the adoption of energy-efficient technologies), and in energy management.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

Businesses in Indonesia are subject to limited mandatory circular-economy-related requirements, primarily under the waste management and producer responsibility framework. Law No. 18 of 2008 regarding Waste Management (dated 7 May 2008) requires producers to manage packaging and/or goods they produce that cannot, or are difficult to, naturally decompose. This obligation is further implemented under MOEF Regulation No. P75 of 2019 regarding the Roadmap for Waste Reduction by Producers (**MOEF Reg. P75/2019**), which mandates producers in key sectors (i.e. manufacturing (including food and beverages, consumer goods, and personal care products), food and beverages services, and retail) to prepare and implement a waste reduction roadmap for the period 2020-2029.[58]

MOE is continuing the revision of MOEF Regulation No. P.75/2019, with the revised regulation reportedly targeted for completion in September 2026.[59] The revision is intended to strengthen producers' obligations to take back post-consumer packaging, expand participation in the waste reduction roadmap, and require all relevant companies to participate in the EPR scheme. MOE has also indicated that the revised regulation will introduce a Producer Responsibility Organisation mechanism to support post-consumer packaging collection, while encouraging producers to design packaging that is easier to collect and recycle. This follows continued implementation gaps, with only 26 companies reportedly having prepared waste reduction roadmaps, despite around 8,600 food and beverage companies operating in Indonesia. MOE is also reportedly identifying approximately 200 major companies controlling more than 70% of market share and engaging with foreign embassies to encourage compliance by foreign companies operating in Indonesia.

Indonesia has also incorporated circular economy principles into its regulatory landscape. Although not expressly defined or regulated under a single comprehensive framework, principles of the circular economy can be identified in various existing regulations. One such example is in MOEF Regulation No. P.75/2019, which addresses waste reduction by promoting limitations on waste generation, as well as encouraging recycling and reuse practices, which also applies to international businesses operating in Indonesia. Currently, based on Article 22 paragraph (3) MOEF Regulation No. P.75/2019, non-compliance with the aforementioned measures may trigger disincentives imposed by the government, in the form of public release of a performance evaluation reflecting poor performance on the company. However, there are presently no statutory sanctions applicable for such non-compliance.

Indonesia has launched its Circular Economy Roadmap and National Action Plan 2025–2045, which frames circular economy not merely as waste management, but as a systemic transition from a linear "take-use-dispose" model to an economic model that keeps resources in use and preserves their value for as long as possible.[60] It focuses on five priority sectors, namely food, retail/plastic packaging, textiles, construction and electronics, which together represent a significant portion of Indonesia's economy and employment. By 2030, implementation in these sectors is projected to reduce GHG emissions. The roadmap also identifies enabling conditions for implementation, including stronger cross-ministerial governance, financing mechanisms, fiscal and non-fiscal incentives, and improved data management. Its implementation is planned in phases up to 2045, beginning with foundation-strengthening during 2025–2029 and moving toward integrated circular business models by 2040–2045.

58 Arts 2-3 of the MOEF Reg. P75/2019

59 https://megapolitan.kompas.com/read/2026/07/03/22292301/klh-revisi-aturan-epr-seluruh-perusahaan-bakal-wajib-tarik-kembali?page=all#page2

60 https://apki.net/wp-content/uploads/2024/06/240506_Draft-Laporan-Peta-Jalan-dan-Rencana-Aksi-Nasional-Ekonomi-Sirkular_Full.pdf

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Indonesia currently does not have a mandatory, economy-wide corporate sustainability due diligence regime equivalent to the EU's CSDDD, requiring companies to actively identify, prevent, mitigate and remediate environmental and human rights impacts across their value chains.

However, Indonesia has begun developing a policy and implementation framework that may serve as a foundation for future mandatory requirements. The key framework is Presidential Regulation No. 60 of 2023 regarding the National Strategy on Business and Human Rights (dated 26 September 2023) (**PR 60/2023**). PR 60/2023 encourages business actors to integrate human rights principles into their operations, including through human rights due diligence to identify, prevent and mitigate adverse impacts arising from business activities.

This framework is being operationalised through the PRISMA platform, a business and human rights risk assessment tool introduced by the MOHR.[61] At present, PRISMA remains a voluntary self-assessment mechanism, although companies, including private companies, state-owned enterprises and regional government-owned enterprises, are encouraged to conduct assessments. The assessment covers a range of indicators relevant to sustainability due diligence, including labour policies, working conditions, trade unions, environmental impacts, agrarian and indigenous peoples' rights, grievance mechanisms and supply chain management.

There are indications that Indonesia may move toward a more mandatory regime.[62] Government statements and stakeholder discussions suggest that PRISMA is intended as an initial step toward more structured and comprehensive human rights due diligence. The government has also linked the framework to international market access and emerging global supply chain requirements, including due diligence expectations under foreign regulations.

In addition, against the backdrop of Indonesia's OECD accession goals and US trade pressures, a regulation prohibiting the import of goods involving forced labour (Minister of Trade Regulation Number 9 of 2026) took effect on 15 April 2026.[63] The primary obligation rests on importers to, amongst other things, provide supporting evidence to demonstrate the absence of forced labour in the production process if an investigation is initiated. Although this is a border enforcement measure and does not constitute a corporate sustainability due diligence regime, it is likely to encourage importers to enhance supply chain due diligence of imported products and retain relevant documentary evidence.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

Indonesia has implemented a range of policy measures to promote sustainable finance and investment to mobilise capital and funding toward businesses' sustainable and climate transition.

Sustainability Reporting

A key foundation of Indonesia's sustainable finance policy is OJK Reg. 51/2017, which requires financial service institutions, issuers and public companies to integrate sustainable finance principles into their business activities, as discussed in Section A.2 above. The reporting obligation under OJK Reg. 51/2017 supports sustainable investment by allowing investors, regulators and the public to assess whether an institution is implementing sustainable finance principles.

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61 MOHR Circular Letter No. M.HA-01.HA.03.02 of 2025 regarding Business and Human Rights Compliance Assessment for Business Actors (dated 25 August 2025); https://pro.hukumonline.com/a/lt691e6db1664c4/pemerintah-luncurkan-platform-baru-untuk-penilaian-risiko-bisnis-dan-hak-asasi-manusia--pelaku-usaha-diimbau-untuk-melakukan-penilaian-mandiri-dua-kali-setahun

62 https://www.hukumonline.com/berita/a/perpres-stranas-bisnis-dan-ham-butuh-harmonisasi-aturan-pelaksana-lt66307b1fefa11/?page=2

63 https://jdih.kemendag.go.id/peraturan/peraturan-menteri-perdagangan-republik-indonesia-nomor-9-tahun-2026-tentang-impor-barang-yang-dihasilkan-dari-kegiatan-usaha-dengan-kerja-paksa

Taxonomy and Climate Risk Management

Indonesia has also developed classification infrastructure through the Indonesia Taxonomy for Sustainable Finance (**TKBI**).[64] The TKBI is intended to guide the allocation of capital and financing toward activities that support Indonesia's Net Zero Emission objectives by providing criteria for determining whether an economic activity can be considered sustainable. The TKBI also provides Technical Screening Criteria for NDC-related sectors, including energy, manufacturing, agriculture, forestry, fishing, construction and transportation, allowing industries to identify whether their activities may qualify for sustainable financing.

In the banking sector, OJK has introduced climate risk tools to support the integration of climate considerations into banking supervision and financial decision-making. Climate Risk Management & Scenario Analysis (**CRMS**) provides banks with a framework for managing climate-related risks, including through governance, strategy, risk management and disclosure.[65] It allows banks to assess the resilience of their business models and strategies against different climate scenarios over short-, medium- and long-term horizons. CRMS improves the comparability and transparency of climate risk assessment in the banking sector and supports more informed lending and investment decisions.

OJK has also introduced Climate Risk and Banking Resilience Assessment (**CBRA**) to assess the potential impact of climate risks on asset quality, profitability and capital across the banking industry.[66] It also evaluates the adequacy of capital buffers to absorb shocks arising from both physical climate impacts and the economic transition to a low-carbon economy. CBRA also helps authorities and investors identify where capital may need to be redirected toward more sustainable activities.

Blended finance and energy transition funding

Ministry of Finance Regulation No. 103 of 2023 regarding the Provision of Fiscal Support through a Funding and Financing Framework for the Acceleration of Energy Transition in the Electricity Sector (dated 13 October 2023) establishes the Energy Transition Platform as a government-backed blended finance mechanism to mobilise public, private, domestic and international capital for Indonesia's energy transition. The platform supports funding for transition projects that may be difficult to finance on purely commercial terms, including the early retirement of coal-fired power plants, early termination of power purchase agreements, renewable energy projects replacing retired coal capacity, and supporting grid infrastructure. It may also provide loans, other financing facilities, public-private partnership schemes, government support, guarantees and carbon unit monetisation, while requiring eligible renewable energy projects to be classified as green or yellow under the TKBI and to comply with ESG and technology credibility requirements.

Macroprudential incentives for sustainable lending

Bank Indonesia Regulation No. 9 of 2025 regarding the Macroprudential Liquidity Incentive Policy (dated 1 December 2025) provides macroprudential liquidity incentives in the form of a reduction in banks' statutory reserve requirement for banks meeting the relevant criteria, including criteria relating to inclusive financing and sustainable activity financing. Under the regulation, sustainable activity financing includes environmentally friendly credit or financing, and Bank Indonesia may determine the applicable criteria based on, among others, the share of credit or financing provided by banks to certain sectors and other factors such as interest rates or profit-sharing percentages. Banks are required to submit reports on their credit or financing distribution commitment plans, and Bank Indonesia may conduct supervision and evaluation of banks receiving the incentives. If the data submitted by a bank is inaccurate, Bank Indonesia may recalculate the statutory reserve requirement and impose sanctions or require the return of incentives.

64 https://ojk.go.id/id/Publikasi/Roadmap-dan-Pedoman/Sektor-Jasa-Keuangan/Keuangan-Berkelanjutan/Pages/TKBI-Versi-3-2026.aspx
65 https://ojk.go.id/id/berita-dan-kegiatan/info-terkini/Pages/Climate-Risk-Management-and-Scenario-Analysis-CRMS.aspx
66 https://ojk.go.id/id/Publikasi/Roadmap-dan-Pedoman/Perbankan/Pages/Climate-Risk-and-Banking-Resilience-Assessment-CBRA-2026.aspx

Sustainable capital market instruments

OJK Regulation No. 18 of 2023 regarding the Issuance and Requirements of Sustainability-Based Debt Securities and Sukuk (dated 10 October 2023) regulates the issuance of sustainability-themed debt securities and Sukuk, including green bonds and Sukuk, social bonds and Sukuk, sustainability bonds and Sukuk, sustainability-linked bonds and Sukuk, and Sukuk Wakaf (which is used in relation to the optimisation of waqf assets). The regulation also recognises sustainability-linked bonds and Sukuk. Issuers are required to obtain reviews from independent external review providers and submit annual reports on fund utilisation, environmental or social impact, and progress toward sustainability targets. If an activity no longer meets the applicable sustainable criteria, the issuer must prepare an action plan within the prescribed period, and if remediation fails, the instrument may lose its sustainable status, and investors may be entitled to request a buyback or receive compensation through an increased coupon rate.

8. Other upcoming developments / direction of travel

Indonesia's regulatory direction of travel indicates a continued move toward the operationalisation of its carbon economic value framework, with increasing focus on carbon market infrastructure, registry requirements, reporting and transition finance. This is reflected, among others, in the issuance of PR 110/2025, which amended the existing carbon economic value regulation, and OJK Reg. 10/2026, which amended OJK Reg. 14/2023 on carbon trading through carbon exchanges. These developments suggest that Indonesia is moving toward more detailed implementation rules for carbon trading and climate-related market mechanisms.

In parallel with these implementing-level developments, Indonesia is advancing the preparation of the Draft Law on Climate Change Management, which has been included in the 2026 Priority National Legislation Program. The draft remains under legislative process, and its date of enactment has not yet been determined. The Draft Law on Climate Change Management is intended to serve as an umbrella framework for climate change management in Indonesia, covering planning, control, monitoring and law enforcement. The draft provides for climate change inventories, national and regional climate change management plans, and enhanced mechanisms relating to carbon economic value, including carbon trading, carbon offsets, performance-based payments and carbon levies. It also provides for the establishment of a Climate Change Management Agency, which would report directly to the President and be responsible for policy formulation, coordination of mitigation and adaptation efforts, and strengthening Indonesia's position in international climate forums.

Taken together, these developments highlight Indonesia's phased approach to a low-carbon transition, balancing goals with practicality through regulatory reform, targeted projects, and flexible policies.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   No. There have been no publicly reported legal proceedings, regulatory actions or investigations in Indonesia concerning sustainability-related statements, marketing claims or disclosures, whether environmental or social-related.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   No, there are no laws or regulations that deal specifically with greenwashing.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   Likely grounds include:

   (a) breaches of directors' fiduciary duties.

   (b) tort claims for misrepresentation; and

   (c) criminal provisions on fraud, whether provisions on capital market-related fraud under the Capital Markets Law or general fraud provisions under the Criminal Code.

4. Other upcoming developments / direction of travel

None at the moment. Whilst other jurisdictions may have observed climate change litigation, claims for breach of directors' duties in relation to sustainability matters, ESG-related shareholder litigation and/or anti-ESG lawsuits, there have been no such publicly reported proceedings or actions in Indonesia.

Japan

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Japan.

ESG in APAC – Japan
By Mori Hamada & Matsumoto

Year in review
(1 July 2025 to 30 June 2026)

- Since finalising ISSB-aligned sustainability disclosure standards in the last period of review, regulators have confirmed the standards apply to larger companies listed on the Prime Market of the Tokyo Stock Exchange from the fiscal year ending 31 March 2027 on a phased basis (depending on the market capitalisation of the company).
- Japan's emissions trading system transitioned from a voluntary to a mandatory system. The mandatory system commenced from April 2026, with the first allocation and trading scheduled to begin in November 2027. Companies with average annual direct emissions of 100,000 tonnes or more are required to participate in the system and submit annual transition plans. It is expected to cover 300-400 companies and represent almost 60% of GHG emissions in Japan.
- Government subsidies for transition initiatives and blended finance mechanisms have been actively utilised.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   The amended Cabinet Office Order on Disclosure of Corporate Affairs under the Financial Instruments and Exchange Act of Japan (**Disclosure Order**), which became effective in January 2023, sets out mandatory "sustainability" disclosure requirements to be reported in a securities registration statement filed by Japanese or overseas companies that conduct an offering of securities in Japan, or an annual securities report filed by Japanese or overseas companies that are obligated to make such a filing (i.e., companies which are listed in Japan or have filed a securities registration statement without being listed in Japan).

   According to the Financial Services Agency of Japan (**FSA**), information relating to the environment, society, employees, human rights, anti-corruption, anti-bribery, governance, cybersecurity and data security may fall within the scope of "sustainability" mandatory disclosures.

   The Corporate Governance Code published by the Tokyo Stock Exchange (**Corporate Governance Code**) also sets out general sustainability disclosure requirements for all companies listed on the Tokyo Stock Exchange. In particular, companies listed on the Prime Market are expected to collect and analyse the necessary data on the impact of climate change-related risks and earning opportunities on their business activities and profits, and to enhance the quality and quantity of disclosure.

   In March 2025, the Sustainability Standards Board of Japan (**SSBJ**) issued inaugural sustainability disclosure standards (**SSBJ Standards**) to be applied to larger Prime Market-listed companies in phases, representing a significant enhancement to sustainability reporting requirements for such companies.

   The SSBJ Standards comprise:

   (a) the universal sustainability disclosure standards (Application of the Sustainability Disclosure Standards);

   (b) the theme-based sustainability disclosure standards No. 1 (General Disclosures); and

   (c) the theme-based sustainability disclosure standards No. 2 (Climate-related Disclosures).

   The SSBJ Standards incorporate all requirements under IFRS S1 and IFRS S2, but with jurisdiction-specific alternatives which a reporting entity can choose to apply when considered necessary. If a company chooses not to apply any of the jurisdiction-specific alternatives, its disclosures will be in compliance with the ISSB Standards. On the other hand, if a company chooses to apply the jurisdiction-specific alternatives, the disclosures may or may not result in compliance with the ISSB Standards. The SSBJ Standards also contain certain requirements which are not included in the ISSB Standards. However, it is intended that companies preparing disclosures for these additional requirements under the SSBJ Standards would not be required to obtain additional information beyond the information obtained in the process of preparing disclosures in accordance with IFRS S1 and IFRS S2. The SSBJ has prepared a schedule of differences between the ISSB Standards and the SSBJ Standards.

   Pursuant to the Disclosure Order and relevant ordinances amended in March 2026, the SSBJ Standards shall apply to the mandatory sustainability-related disclosures in annual securities reports filed by companies listed on the Prime Market of the Tokyo Stock Exchange from:

   (a) for companies with a market capitalisation of JPY3 trillion or more, the fiscal year ending 31 March 2027;

   (b) for companies with a market capitalisation of JPY1 trillion or more, the fiscal year ending 31 March 2028; and

   (c) for companies with a market capitalisation of JPY500 billion or more, the fiscal year ending 31 March 2029.

   Application of the SSBJ Standards to Prime Market-listed companies with a market capitalisation of less than JPY500 billion is still under consideration by the FSA.

   Companies that are not subject to the SSBJ Standards will continue to be required to provide sustainability-related disclosures pursuant to the requirements that came into effect in January 2023 as described above.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   The Disclosure Order contains mandatory disclosures in relation to sustainability, including environmental, social and governance aspects.

   ESG disclosures under the Corporate Governance Code are on a comply-or-explain basis.

4. **Which aspects of ESG do the requirements focus upon?**

   In an annual securities report, all sustainability issues including environmental, social and governance aspects are covered. In line with the ISSB Standards, the SSBJ Standards cover sustainability-related (and not just climate-related) disclosures.

   In a corporate governance report, the focus is mostly on environmental aspects.

5. **Are the disclosure requirements based on international standards? If so, which one(s)?**

   While the Disclosure Order does not specify any framework for the purpose of disclosure in an annual securities report, it stipulates that sustainability information must be described from the viewpoint of the four core elements of the TCFD Recommendations: governance, strategy, risk management, and metrics and targets.

   Environment-related disclosures in a corporate governance report are expected to be in line with the TCFD Recommendations or an equivalent disclosure framework.

   The SSBJ and the ISSB have confirmed that the SSBJ Standards are designed to achieve outcomes that are functionally aligned with the ISSB Standards, and the SSBJ remains committed to maintaining this functional alignment. This commitment is reflected in the amendments to the SSBJ Standards issued in March 2026, which prescribed corresponding changes to the SSBJ Standards in response to the IFRS S2 December 2025 Amendments.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

   While neither the Disclosure Order nor the Corporate Governance Code expressly adopts a single or double materiality approach, the Principles Regarding Disclosure of Non-Financial Information issued by the FSA mentions that materiality should be determined by each company taking into consideration various factors, including their category of business, business environment and enterprise value.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

   Companies not subject to the SSBJ Standards are not required to report their GHG emissions in their annual securities report or corporate governance report. However, a company that considers climate change to be a material risk must state its metrics and targets for climate change in its annual securities report, which often includes information about GHG emissions of the company.

   Reporting companies subject to the SSBJ standards must disclose GHG emissions, categorised as Scope 1, 2 or 3. SSBJ has issued practical guidance to support reporting companies who report under the existing Japanese GHG reporting system on how they can also comply with the SSBJ Standards.

   Separately, under the Act on Promotion of Global Warming Countermeasures of Japan, a company that (a) emits a certain amount of GHG from all of its business facilities in Japan within a year, or (b) transports a certain amount of freight in Japan within a year by itself or with the assistance of carriers, is required to calculate and disclose the amount of GHG emissions from the company's business facilities in Japan (i.e., Scope 1 and 2) in its report to be filed with the relevant governmental authority in accordance with the instructions published by the Ministry of Environment of Japan. Such reported data can be accessed by the public.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   This is currently not mandatory. A report of the working group regarding the disclosure and independent assurance of sustainability-related information published in January 2026 suggests that independent assurance will become mandatory in phases from the fiscal year ending 31 March 2028 (depending on the market capitalisation of the reporting company) for companies listed on the Prime Market of the Tokyo Stock Exchange. Discussions are currently underway regarding the requirements for independent assurance providers and related matters.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   It is uncommon for a company which is not subject to the ESG disclosure obligation under the Disclosure Order or the Corporate Governance Code to voluntarily make substantial ESG disclosures.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

    No, and regulators have not indicated any plans to develop a local taxonomy.

11. **Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?**

    Making disclosures in line with the TNFD framework is expected to be examined by the SSBJ, taking into consideration international discussions. The SSBJ has not indicated a specific timeframe for this.

12. **Other upcoming developments / direction of travel**

    In response to discussions within the Sustainability Disclosure and Assurance Working Group of the Financial System Council of Japan, further consideration is being given to introducing a safe harbour rule for forward-looking statements, including ESG-related disclosures, provided in an annual securities report of a company.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes. The Act on Promotion of Global Warming Countermeasures sets net zero by 2050 as a basic principle. Under the Plan for Global Warming Countermeasures established by the government pursuant to this act, targets are set to reduce Japan's GHG emissions by 46% by 2030, 60% by 2035, and 73% by 2040, compared to 2013 levels.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   Under the revised GX Promotion Act enacted in 2025, Japan transitioned from a voluntary to a mandatory emissions trading system (**GX-ETS**), which has been fully operational since the fiscal year ending 31 March 2027. Operators with average annual direct CO_2 emissions of 100,000 tonnes or more (irrespective of sector) are subject to this system. The GX-ETS is expected to cover 300 to 400 companies and represent almost 60% of total GHG emissions in Japan.

   Emission allowances will be allocated free of charge, with the first allocation scheduled for November 2027, after which trading will commence. A financial penalty will apply to emitters who exceed their total emission allowances. From the fiscal year ending 31 March 2034, paid auctions will be introduced for power generators.

   A fossil fuel surcharge on imported and domestically produced fossil fuels is expected to commence in FY2028.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   Under the GX Promotion Act, entities subject to the GX-ETS are required to submit a transition plan to the Minister of Economy, Trade and Industry each fiscal year. The transition plan must include targets for reducing CO_2 emissions associated with their business activities, as well as plans for investments and other business activities that contribute to a smooth transition. The transition plans are published by the Minister of Economy, Trade and Industry, while the targets for the fiscal year ending 31 March 2027 to the fiscal year ending 31 March 2030 and investment plans will be redacted. There are no consequences for failing to meet the targets under the transition plan.

   As discussed above, the SSBJ Standards will apply to companies listed on the Prime Market of the Tokyo Stock Exchange. A company subject to those standards shall disclose in its annual securities report details of its climate-related transition plans, such as any major assumptions and essential factors and conditions underlying those plans (if the company has such plans).

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   Projections of CO_2 reduction targets for each fiscal year from the fiscal year ending 31 March 2027 to the fiscal year ending 31 March 2031 must be stated in the transition plans submitted by entities subject to the GX-ETS as described above. Of these, only targets for the fiscal year ending 31 March 2031 are published by the Minister of Economy, Trade and Industry.

   The Disclosure Order provides that, if (and only if) companies regard climate change as a material risk to themselves, such companies must set climate-related targets, such as GHG emissions targets, and state them in their annual securities reports.

   Save for the above, companies are not generally required to set or meet climate-related targets.

   In line with the ISSB Standards, the SSBJ Standards require reporting companies to disclose certain details on any climate-related targets they may have set.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   Japan has an EPR scheme for producers of certain containers, packaging and home electrical appliances, who are required to pay recycling fees to recyclers.

   Under the revised Act on Promotion of Effective Utilisation of Resources, businesses that produce or sell above a certain threshold of products designated by the government as having a high need to use recycled resources as raw materials are required to formulate plans and submit periodic reports regarding their targets for the use of recycled resources.

   While there are no mandatory eco-design requirements, eco-design is being promoted through measures such as consideration in government procurement.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   There are no mandatory corporate sustainability due diligence requirements, and there are currently no concrete moves towards introducing such requirements. Businesses are encouraged to conduct human rights due diligence and provide access to remedies under the Ministry of Economy, Trade and Industry's Guidelines on Respect for Human Rights in Responsible Supply Chains issued in 2022.

7. **What (if any) policy support has been implemented to promote sustainable finance and investment?**

   For green finance, the Ministry of the Environment has published the "Green List" as a reference material, but this is not a taxonomy and is intended only as illustrative examples for reference purposes. For transition finance, the Ministry of Economy, Trade and Industry has developed Basic Guidelines and sector-specific roadmaps, which were recently updated. These remain guidelines rather than laws and are referenced when raising labelled finance.

   In addition, the Japanese government has set a target of JPY150 trillion in green transformation (**GX**) investment over the next 10 years, comprising JPY20 trillion from the government and JPY130 trillion from the private sector. The government's JPY20 trillion portion is funded through the issuance of Climate Transition Bonds, a type of government bond, which supports GX/transition investment through subsidies and blended finance provided via the GX Acceleration Agency, a quasi-governmental body.

8. **Other upcoming developments / direction of travel**

   The most significant mandatory regime is the GX-ETS described above. Detailed trading rules are scheduled to be designed before trading commences in November 2027.

   The government is formulating a public-private investment roadmap for strategic sectors requiring priority investment by the fiscal year ending 31 March 2041, with "Resource and Energy Security / GX" being one of the strategic sectors. Specifically, public-private investment targets will be set for next-generation solar cells, hydrogen, green steel, next-generation geothermal, offshore wind, next-generation innovative reactors, GX chemicals, and fusion energy.

   There are currently no plans to introduce mandatory regulations on transition plans (save for the transition plan requirement for entities covered by the GX-ETS), corporate due diligence, or nature-related matters, and these are expected to continue on a principle/guideline basis.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   No.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   No, but in the "Comprehensive Guidelines for Supervision of Financial Instruments Business Operators, etc." issued by the FSA, there is a section titled "Appropriateness of Business Operations Related to Investment Trust Management Business, etc.", under which a sub-section titled "Points of Attention with respect to consideration of ESG" refers to the fact that, where an investment trust does not fall under the category of ESG investment trust, the FSA will monitor to make sure the name or nickname of the investment trust excludes ESG-related terms such as ESG, SDGs (Sustainable Development Goals), green, decarbonisation, impact, sustainable, and other similar words in order to avoid misleading investors.

   In addition, the Ministry of the Environment revised its "Guidelines for Environmental Representations" in March 2026, marking the first revision in 13 years. The revisions were made in light of international developments in addressing greenwashing. The Guidelines provide that, as a general principle, self-declared environmental claims made by business operators should conform to internationally recognised standards, such as ISO / JIS Q 14021.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   Likely grounds include:

   (a) disclosure liabilities under securities laws and regulations, e.g. providing materially false or misleading information in listing documents or other corporate disclosure documents, such as annual securities reports or securities registration statements;

   (b) breach of directors' duties; and

   (c) claims in tort for misrepresentation.

   There are also risks of regulatory enforcement pursuant to, for example, codes / guidance issued by financial regulators on the marketing of financial products and applicable stock exchange requirements on ESG disclosures.

4. **Other upcoming developments / direction of travel**

   Although there have been no major greenwashing claims in Japan to date, the risks of claims against companies (particularly, listed companies and financial institutions) are expected to increase as reporting requirements become more robust and the sense of urgency on sustainability continues to grow.

Malaysia

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Malaysia.

ESG in APAC – Malaysia
By Rahmat Lim & Partners

Year in review
(1 July 2025 to 30 June 2026)

- Malaysia commenced phased implementation of the ISSB Standards through its National Sustainability Reporting Framework for listed companies and large non-listed companies, adopting a climate-first approach. A sustainability assurance framework remains under consultation, but mandatory sustainability assurance requirements are expected to be phased in.
- Malaysia is in the final stages of finalising a dedicated climate change law that would establish a comprehensive legal framework for the country's net-zero transition, including through the eventual implementation of a national ETS.
- The implementation of a proposed carbon tax in response to the EU's CBAM has been delayed.
- In the first case of its kind in Malaysia, an environmental watchdog has filed judicial review applications against government ministries for failing to investigate a greenwashing complaint. This development is at an early stage and its impact remains to be seen.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   ESG disclosure requirements are primarily aimed at listed companies and financial institutions:

   (a) The Task Force on Climate-Related Financial Disclosures Application Guide for Malaysian Financial Institutions (**TCFD Application Guide**) issued by the Joint Committee on Climate Change (**JC3**)[1] sets out Basic and Stretch recommendations for financial institutions (e.g., banks, insurers / takaful operators, asset managers and asset owners) in respect of disclosures on governance, strategy, risk management, metrics and targets.

   (b) The Main Market Listing Requirements, ACE Market Listing Requirements and Sustainability Reporting Guide (collectively, **Sustainability Reporting Framework**) issued by Bursa Malaysia Securities Berhad (**Bursa Malaysia**) set out the sustainability reporting requirements applicable to listed companies. Under the Sustainability Reporting Framework, listed companies are required to include in their annual reports a narrative statement on their management of sustainability-related risks and opportunities (**Sustainability Statement**) in accordance with IFRS S1 and IFRS S2.

   (c) The National Sustainability Reporting Framework (**NSRF**) issued by the Ministry of Finance of Malaysia addresses the use of the ISSB Standards, specifically IFRS S1 and IFRS S2, as the baseline sustainability disclosure standard for listed companies and non-listed companies with a consolidated group revenue of RM2 billion and above for two consecutive financial years (**Large NLCos**).

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   (a) The Central Bank of Malaysia (BNM)'s Policy Document on Climate Risk Management and Scenario Analysis (**CRMSA**) (last updated in March 2025) requires financial institutions to produce TCFD-aligned climate disclosures in line with the TCFD Application Guide, which must be published together with annual financial reports. Disclosures on Basic and Stretch recommendations are mandatory for financial institutions in line with their overall climate risk exposure and/or complexity of operations.

   (b) The Sustainability Reporting Framework contains mandatory sustainability-related disclosure requirements for listed companies - the requirements and timeline for compliance are in alignment with the NSRF.

   (c) Adopting a climate-first approach, the NSRF applies on a phased basis as follows:

   (i) for Main Market listed issuers with market capitalisation of RM2 billion and above (**MMLCos above RM2 billion**) – mandatory climate-related disclosures in annual reports for annual reporting periods beginning on or after 1 January 2025 and mandatory disclosures in line with the full adoption of IFRS S1 and IFRS S2 in annual reports for annual reporting periods beginning on or after 1 January 2027;

   (ii) for Main Market listed issuers with market capitalisation below RM2 billion (**MMLCos below RM2 billion**) - mandatory climate-related disclosures in annual reports for annual reporting periods beginning on or after 1 January 2026 and mandatory disclosures in line with the full adoption of IFRS S1 and IFRS S2 in annual reports for annual reporting periods beginning on or after 1 January 2028; and

   (iii) for ACE Market listed issuers and Large NLCos - mandatory climate-related disclosures in annual reports for annual reporting periods beginning on or after 1 January 2027 and mandatory disclosures in line with the full adoption of IFRS S1 and IFRS S2 in annual reports for annual reporting periods beginning on or after 1 January 2030.

1 Joint Committee on Climate Change members consist of Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia and 21 financial industry members.

Consequential amendments to the relevant legislation, rules and guidelines to adopt the NSRF have been and are in the process of being undertaken, including amendments to, among others, the Companies Act 2016, the Capital Markets and Services Act 2007 and the Listing Requirements.

In March 2025, Bursa Malaysia launched the Centralised Sustainability Intelligence Platform, which is intended to complement its existing ESG reporting Platform by, among others, streamlining standardised climate reporting.

4. **Which aspects of ESG do the requirements focus upon?**

The TCFD Application Guide focuses on climate-related matters.

The Sustainability Reporting Framework and the NSRF focus on sustainability-related risks and opportunities, beginning with climate reporting, and will expand to sustainability reporting under the phased approach outlined in section A.3(c) above.

5. **Are the disclosure requirements based on international standards? If so, which one(s)?**

The climate-related disclosure requirements for financial institutions under the TCFD Application Guide are aligned with the TCFD Recommendations developed by the Financial Stability Board.

The Sustainability Reporting Framework is not based on any specific international standards, but listed companies are encouraged to report in alignment with or with adherence to the NSRF prior to its phased implementation.

The NSRF addresses the use of the ISSB Standards as the baseline sustainability disclosure standard and is closely aligned with both IFRS S1 and IFRS S2 subject to certain transitional reliefs as outlined in sections A.3(c) and A.7.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

The climate-related disclosures required under the TCFD Application Guide adopt a single materiality approach which is consistent with the TCFD Recommendations.

The Sustainability Reporting Framework and the NSRF adopt a single materiality approach in line with the ISSB Standards.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

The TCFD Application Guide sets out mandatory disclosures, in the form of Basic and Stretch Recommendations, for financial institutions. Scope 1, Scope 2 and limited Scope 3 emissions (i.e., business travel and employee commuting) disclosures are required pursuant to the Basic Recommendations under the TCFD Application Guide, while Stretch Recommendations include disclosures for all Scope 3 emissions which should be reported based on the financial institution's overall climate risk exposure and/or complexity of operations.

There are no requirements under the TCFD Application Guide on the measurement methodology. However, disclosures of methodologies used to calculate emissions are required.

Under the Sustainability Reporting Framework and the NSRF, MMLCos above RM2 billion are required to make mandatory disclosures on Scope 1, Scope 2 and limited Scope 3 emissions in their annual reports for annual reporting periods beginning on or after 1 January 2025, and all Scope 3 GHG emissions for annual reporting periods beginning on or after 1 January 2027. MMLCos below RM2 billion are required to make mandatory disclosures on Scope 1, Scope 2 and limited Scope 3 emissions for annual reporting periods beginning on or after 1 January 2026, and all Scope 3 GHG emissions for annual reporting periods beginning on or after 1 January 2028.

ACE Market listed companies and Large NLCos are required to make disclosures on Scope 1, Scope 2 and limited Scope 3 emissions for annual reporting periods beginning on or after 1 January 2027, and all Scope 3 GHG emissions for annual reporting periods beginning on or after 1 January 2030.

In line with the ISSB Standards, the NSRF requires the use of GHG Protocol as the default measurement methodology. However, the use of the GHG Protocol is subject to transition relief for: (a) the first two reporting periods for MMLCos; and (b) the first three reporting periods for ACE Market listed companies and Large NLCos.

8. Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?

There are no requirements under the TCFD Application Guide for climate-related disclosures of financial institutions to be subject to an assurance process.

There are currently no requirements for the Sustainability Statements of listed companies to be subject to an assurance process, but such practice is encouraged pursuant to the Sustainability Reporting Guide and the NSRF. Currently, listed companies may disclose in their annual reports that their Sustainability Statements have been subject to an independent assurance performed in accordance with either the International Standard on Assurance Engagements (ISAE) 3000 or the International Organization for Standardization (ISO).

Under the NSRF, reasonable assurance on Scope 1 and Scope 2 GHG emissions is expected to be mandatory for: (a) MMLCos above RM2 billion from annual reporting periods beginning on or after 1 January 2027; (b) MMLCos below RM2 billion from annual reporting periods beginning on or after 1 January 2028; and (c) ACE Market Listed companies and Large NLCos from annual reporting periods beginning on or after 1 January 2029.

The Advisory Committee on Sustainability Reporting (**ACSR**) issued a public consultation paper on the proposed issuance of a Framework for Sustainability Assurance (**Sustainability Assurance Framework Consultation Paper**) on 25 June 2025. The Sustainability Assurance Framework Consultation Paper sought feedback on the use and application of the IFRS S1 and IFRS S2 and on a sustainability assurance framework for Malaysia. In particular, it sought feedback on the adoption of the *International Standard on Sustainability Assurance 5000, General Requirements for Sustainability Assurance Engagements* (*ISSA 5000*) as the recognised sustainability assurance standard in Malaysia and the adoption of the *International Standard on Quality Management 1* (*ISQM 1*) as the only recognised quality management standard to be complied with by all firms providing sustainability assurance services in Malaysia.

Given the difference in readiness and maturity of listed and non-listed companies, the Sustainability Assurance Framework Consultation Paper proposes mandatory external assurance for:

(a) Scope 1 and Scope 2 GHG emissions; and

(b) IFRS S1 core contents (governance, strategy, risk management, and metrics and targets) and Scope 3 GHG emissions, to be adopted by (i) MMLCos above RM2 billion for annual reporting periods beginning on or after 1 January 2027 (in respect of Scope 1 and Scope 2 GHG emissions) and 1 January 2030 (in respect of IFRS S1 core contents and Scope 3 GHG emissions) respectively; (ii) MMLCos below RM2 billion for annual reporting periods beginning on or after 1 January 2028 (in respect of Scope 1 and Scope 2 GHG emissions) and 1 January 2031 (in respect of IFRS S1 core contents and Scope 3 GHG emissions) respectively; and (iii) ACE Market listed companies and Large NLCos for annual reporting periods beginning on or after 1 January 2029 (in respect of Scope 1 and Scope 2 GHG emissions) and 1 January 2033 (in respect of IFRS S1 core contents and Scope 3 GHG emissions) respectively.

The ACSR, via the Sustainability Assurance Framework Consultation Paper, also sought feedback on the adoption of accountants to act as sustainability assurance engagement leaders and the expansion of the role of the Securities Commission's Audit Oversight Board to regulate sustainability assurance providers of applicable entities, as well as to carry out enforcement actions in the event of significant non-compliance. Subject to further consultation, the ACSR intends to adopt a profession-agnostic approach in allowing both audit and non-audit assurance providers to provide sustainability assurance, subject to registration with the Audit Oversight Board, as the overseer of the implementation of mandatory external assurance.

A Sustainability Assurance Working Group has been established to work towards the issuance of the Sustainability Assurance Framework.

9. For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?

Based on our limited checks, some listed companies do reference international standards and frameworks, such as the GRI Standards, in their Sustainability Statements even though such alignment or adherence is not mandatory.

Entities operating in hard-to-abate sectors as well as those covered under Malaysia's proposed CBAM sectors are highly encouraged to report in accordance with the NSRF.

Capital Markets Malaysia, in collaboration with the Department of Natural Resources, Environment and Climate Change, issued in October 2023 the Simplified ESG Disclosure Guide for SMEs in Supply Chains which provides practical guidance and baseline disclosures expected of SMEs in relation to ESG disclosure. The guide is currently voluntary.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

The Climate Change and Principle-based Taxonomy (**CCPT**) issued by BNM on 30 April 2021 provides a principles-based taxonomy for the classification of economic activities against climate objectives and the reporting of CCPT-aligned lending and investment activities by financial institutions. Financial institutions are expected to submit reports to BNM on their application of the CCPT in their classification of economic activities against climate objectives and reporting of lending and investment activities.

The Principles-Based Sustainable and Responsible Investment Taxonomy (**SRI Taxonomy**) issued by the Securities Commission Malaysia on 12 December 2022 provides universal guiding principles for the classification of economic activities by all capital market users. The SRI Taxonomy is currently not mandatory.

The ASEAN Taxonomy for Sustainable Finance (**ASEAN Taxonomy**) Version 4 issued by the ASEAN Taxonomy Board on 6 November 2025 provides alignment on underlying principles and helps harmonise the classification of sustainable activities and assets across ASEAN. It does not have mandatory application.[2]

Malaysia is consulting on a sustainable finance taxonomy that builds on the above taxonomies. The Call for Feedback in relation to the Malaysia Taxonomy for Sustainable Finance (**Malaysia Taxonomy**) was issued by JC3 in February 2026. The proposed Malaysia Taxonomy aims to establish a coherent national approach, drawing on lessons from past implementation of existing taxonomies to, among others, ensure alignment with other sustainable finance taxonomies, ensure interoperability, reduce compliance burdens and safeguard against greenwashing practices.

The Malaysia Taxonomy Call for Feedback examines the salient components of ASEAN Taxonomy, CCPT and SRI Taxonomy and is seeking feedback on, among other things, the key elements of a sustainable finance taxonomy, the taxonomy assessment and classification approach as well as consolidation of taxonomy reporting at entity and portfolio level based on underlying exposures.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Other than the NSRF (which addresses the use of the ISSB Standards), there are currently no plans to adopt or incorporate any other international ESG reporting framework.

12. Other upcoming developments / direction of travel

The NSRF and the Sustainability Assurance Framework Consultation Paper are expected to shift the existing voluntary approach on external assurance for sustainability reporting to a mandatory one.

The NSRF PACE working group was established to assist companies in implementing the NSRF by providing tools, educational resources and capacity building programmes, including the introduction of a module on interoperability between the ISSB and GRI Standards.

Climate-related reporting requirements are expected to continue to evolve alongside Malaysia's broader decarbonisation initiatives, including the proposed ETS and the development of a national climate data repository. The forthcoming National Climate Change Bill is expected to establish Malaysia's overarching climate governance framework, although the extent

2 By way of background, the first version laid out the broad framework of the ASEAN Taxonomy, the second version sets out, among other things, detailed methodologies for assessing economic activities and technical screening criteria for the first focus sector, the energy sector, while Version 3 introduced technical screening criteria for two more focus sectors: transportation and storage, and construction and real estate. Version 4 contains comprehensive coverage of all six focus sectors: energy; transportation and storage; construction and real estate; agriculture, forestry and fishing; manufacturing; water supply, sewerage, waste management and remediation, and three enabling sectors of the Plus Standard: carbon capture, utilisation and storage (CCUS); information and communication; and professional scientific and technical activities.

to which it will provide the legislative basis for these initiatives will only become clear upon publication of the Bill.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. Malaysia has reaffirmed its commitment to reduce carbon intensity by 45% by 2030 to achieve its goal of net zero carbon by 2050. To support this goal, the Malaysian government has launched the National Climate Change Policy (**NCCP**) 2.0 to consolidate key national initiatives such as the National Energy Transition Roadmap and the National Industrial Master Plan 2030. NCCP 2.0 aims to provide a comprehensive framework on climate governance and sets the foundation for the forthcoming National Climate Change Act.

The Ministry of Natural Resources and Environmental Sustainability (**NRES**) announced in May 2026 that Malaysia's climate change legislative framework will comprise the National Climate Change Bill (RUUPIN) and the National Climate Change Authority Bill (RUUIKLIM). Collectively, the Bills are intended to establish the legal and institutional framework for the implementation of Malaysia's national climate change policies and decarbonisation strategies and are expected to provide statutory support for the formulation, coordination and governance of national climate objectives, including Malaysia's emissions reduction commitments. Both Bills are currently in the final stages of drafting and are expected to be tabled in Parliament later in 2026.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Carbon levies in Sarawak State

Under the Environment (Reduction of Greenhouse Gases Emission) Ordinance 2023, which came into effect on 1 March 2024, certain persons or business entities undertaking activities in the oil and gas sector, energy sector and other economic sectors in Sarawak, as may be determined by the Sarawak State Executive Council (Majlis Mesyuarat Kerajaan Negeri Sarawak), are required to submit a carbon emission report to the Controller of Environmental Quality. Based on the carbon emission report, a carbon levy will be imposed on relevant entities exceeding the emission thresholds set by the Sarawak State Executive Council.

To promote sustainable forest management practices, the State of Sarawak has also recently imposed the following taxes through the Forests (Forest Carbon Activity) (Amendment) Rules, 2025: a Forest Ecosystem Fee of around 5% to 7% of the value of traded carbon, and an annual land use tax for carbon trading based on the size of the licensed area of such land.

Proposed National Carbon Tax

The Malaysian government announced in the 2026 National Budget, the introduction of a national carbon tax aimed at the iron, steel and energy industries, to be implemented by 2026 in response to the EU's CBAM. In alignment with the EU's objectives, the proposed carbon tax would impose a levy on carbon-intensive industries as a means of incentivising emissions reductions across the Malaysian economy. Among the sectors that could fall under the purview of the carbon tax are those currently within the scope of EU's CBAM, including but not limited to the iron and steel, aluminium, cement, fertiliser and energy industries.

However, in light of prevailing geopolitical tensions arising in the Middle East, the government announced that the implementation timeline for the carbon tax would be deferred to avoid imposing additional cost pressures on industries and consumers. Although no revised implementation date has been announced, the government confirmed in June 2026 that the carbon tax policy is in its final phase of formulation and will be implemented in due course.

Proposed National Carbon Market

The National Carbon Market Policy (**NCMP**) was approved by the Cabinet in April 2026 and sets out the government's policy framework and strategic direction for the development of a domestic carbon market in Malaysia. Although the NCMP does not itself impose legally binding obligations, it provides the policy foundation for the future implementation of carbon

pricing instruments, including a domestic mandatory emissions trading scheme. The NCMP is also intended to complement the proposed National Climate Change Bill (RUUPIN) and the National Climate Change Authority Bill (RUUIKLIM).

In this regard, the NCMP sets out the Government's roadmap for establishing the institutional, governance and regulatory framework necessary to support the development and operation of a domestic carbon market. Broadly, the NCMP seeks to:

(a) promote the development of domestic carbon credit generating projects;

(b) establish the infrastructure required for a credible carbon market, including a monitoring, reporting and verification (**MRV**) system, as well as the proposed creation of a National Carbon Registry; and

(c) facilitate the cross-border trading of Malaysian carbon credits, including by enabling domestically generated carbon credits to be traded in international carbon markets.

A voluntary carbon market, the Bursa Carbon Exchange (**BCX**), was established by Bursa Malaysia in December 2022 and is backed by the Malaysian government, under the purview of the Ministry of Finance and the Ministry of Natural Resources, Environment and Climate Change. This platform is the world's first Shariah-compliant voluntary carbon market, facilitating the trading of carbon credits from accredited nature-based and technology-based projects. The inaugural auction for the BCX was held on 16 March 2023.

The BCX has since expanded its offerings by introducing Renewable Energy Certificates (**RECs**). On 9 September 2024, the BCX launched continuous trading for RECs, enhancing its existing auction-based capabilities by enabling off-market REC transactions on the platform. The BCX has received accreditation from the International Tracking Standard Foundation for its REC trading platform, making it the first Malaysian trading platform operator to obtain such accreditation.

3. Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?

Under Malaysian law, there are currently no mandatory statutory requirements for companies in Malaysia to have in place and/or disclose climate-related transition plans.

However, under the NSRF, Main Market-listed issuers are required to prepare a Sustainability Statement in accordance with the applicable ISSB Standards, which require disclosure of details of any transition plan they may have adopted. ACE Market-listed issuers are still subject to Bursa Malaysia's Sustainability Reporting Framework and are required to disclose a basic transition plan towards a low-carbon economy.[3] From 2027 onwards, ACE Market-listed issuers will be required by the NSRF to prepare their Sustainability Statements in accordance with the ISSB Standards, subject to transitional reliefs.

4. Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?

There are no mandatory statutory requirements set by the Malaysian Government.

However, as mentioned above, Bursa Malaysia has imposed the requirement on Main Market listed issuers to include climate change-related disclosures that are aligned with the TCFD Recommendations in their Sustainability Statements, and for ACE Market-listed issuers to disclose a basic transition plan towards a low-carbon economy. The NSRF imposes ISSB-aligned requirements in a phased manner, which would require in-scope companies to disclose details of any climate-related targets they may have set or are required to meet.

5. Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?

Malaysia does not currently have a mandatory circular economy regime or comprehensive eco-design legislation comparable to those adopted in certain other jurisdictions. In particular, there are currently no generally applicable statutory obligations

3 Mandatory TCFD Reporting Requirements for Bursa Malaysia Listed Issuers

requiring businesses to comply with EPR schemes or mandatory eco-design standards across all sectors.

However, Malaysia is progressively developing its circular economy framework through a combination of national policy initiatives. These include the Circular Economy Policy Framework for the Manufacturing Sector launched by the Ministry of Investment, Trade and Industry in September 2024, the Malaysia Plastics Sustainability Roadmap 2021-2030, and the Circular Economy Blueprint for Solid Waste in Malaysia (2025-2035). While these policies do not impose legally binding obligations, they establish the Government's strategic direction for transitioning towards a circular economy and contemplate the phased introduction of regulatory measures, including mandatory EPR schemes, eco-design requirements and resource efficiency initiatives.

Circular Economy Policy for the Manufacturing Sector

The policy was introduced to reform fossil-fuel-based industrial models and promote green growth practices across the manufacturing value chain. The policy outlines plans for key initiatives aimed at ensuring local producers take responsibility for the entire life cycle of their products, including:

(a) mandating specific products (e.g. packaging and consumer goods) to contain minimum recycled or circular materials;

(b) introducing mandatory EPR for manufacturers over a three to five-year timeframe in sectors such as electronics and packaging; and

(c) developing a taxonomy on circular economy activities.

Malaysia Plastics Sustainability Roadmap 2021-2030

The roadmap sets out the Government's strategy to improve plastics sustainability and reduce plastic pollution. It contemplates the phased implementation of an EPR framework for plastic packaging, together with measures relating to eco-design, recycled content, recyclability, product stewardship and waste collection systems. The packaging and plastics industries are expected to be the primary sectors affected, with enforcement to be implemented through future legislation and subsidiary legislation.

Circular Economy Blueprint for Solid Waste in Malaysia (2025-2035)

This blueprint establishes the Government's long-term strategy to transition from a linear waste management model to a circular economy. It identifies a range of proposed regulatory and market-based mechanisms, including EPR schemes for priority waste streams, landfill diversion measures, resource recovery initiatives, material traceability and enhanced recycling infrastructure. It also contemplates a phased implementation beginning with packaging before extending to other sectors, such as electrical and electronic equipment, construction and demolition waste, and other priority waste streams, with implementation to be supported through future legislative and institutional reforms.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Malaysia does not currently impose economy-wide mandatory corporate sustainability due diligence obligations. In particular, there is presently no legislation requiring companies generally to identify, prevent, mitigate and account for actual or potential adverse environmental or human rights impacts across their operations and value chains.

The Environmental Quality Act 1974 and its subsidiary legislation regulate environmental pollution and prescribe licensing, compliance and enforcement requirements for specified activities. However, it does not impose a general duty on companies to undertake environmental or human rights due diligence across their operations or value chains.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

In March 2026, BNM and the Securities Commission Malaysia issued a draft Malaysia Taxonomy for Sustainable Finance for public consultation. The proposed taxonomy is intended to establish a common framework for classifying sustainable economic activities and providing greater consistency in how financial institutions and businesses assess sustainability-related investments and financing activities.

The proposed taxonomy builds on existing frameworks, including BNM's CCPT and the Securities Commission's SRI Taxonomy, by introducing more detailed and science-based criteria for assessing whether activities contribute to environmental

objectives. It is also intended to improve alignment with regional frameworks, including the ASEAN Taxonomy for Sustainable Finance, to facilitate sustainable finance flows.

8. Other upcoming developments / direction of travel

In Malaysia's Budget 2026,[4] the Malaysian government reiterated its commitment to integrating sustainability considerations into its financial planning and supporting the country's climate transition. Key initiatives include:

(a) continued support for the aspirations of the National Energy Transition Roadmap; and

(b) the continuation of the widely successful Green Technology Financing Scheme[5] under the Green Technology Financing Scheme 5.0 (**GTFS 5.0**) until 31 December 2026 (or until the RM 1 billion financing allocation is fully utilised, whichever is earlier). GTFS 5.0 continues to target six priority sectors: Energy, Manufacturing, Transport, Building, Waste and Water, offering a government guarantee of 80% on the green component cost financed by participating financial institutions for projects in the waste sector and 60% for projects in the remaining eligible sectors. However, unlike previous iterations of the scheme, GTFS 5.0 no longer provides a rebate on the annual interest or profit rate, with financing rates instead being determined by the participating financial institutions.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

Yes. In December 2025, environmental watchdog RimbaWatch filed what it described as the country's first climate litigation of its kind by commencing two judicial review applications before the High Court against the Ministry of Domestic Trade and Cost of Living and the Ministry of Natural Resources and Environmental Sustainability. The applications followed the ministries' refusal to investigate complaints alleging that Shell Malaysia had made misleading "carbon neutral" claims. RimbaWatch seeks, among other things, orders compelling the government to investigate the alleged greenwashing and quashing the previous decisions refusing to do so. As at the time of writing, the applications remain at the leave stage.

2. Are there any laws or regulations specifically dealing with greenwashing?

No. However, there is guidance relevant to mitigating greenwashing risks (e.g., the SRI Taxonomy and the Guidance Note on Managing ESG Risks for Fund Management Companies issued by the Securities Commission and the CCPT issued by BNM) applicable to capital markets players and financial institutions.

The Lodge and Launch Framework issued by the Securities Commission sets out clear requirements pertaining to the issuance of Sustainable and Responsible Investment (SRI) sukuk, ASEAN Green/Social/Sustainability bonds and sukuk, SRI-linked sukuk and ASEAN Sustainability-linked bonds and sukuk. Risks of greenwashing are therefore mitigated as the issuance of such bonds and sukuk is regulated. The Guidelines on SRI Funds also provide guidance on the disclosure and reporting requirements for SRI funds.

BNM's Policy Document on CRMSA requires financial institutions to use established standards and taxonomies, as well as leverage certifications and third-party assurances, to verify that the disclosures made by customers comply with relevant standards, metrics and methodologies in order to mitigate the risks associated with greenwashing their portfolios. Financial institutions must also establish a board-approved policy on climate-related disclosures that promotes credible as well as high-quality disclosures to mitigate the risks of greenwashing.

4 "Belanjawan 2026 Malaysia Madani: Budget 2026 Speech" issued by the Ministry of Finance Malaysia.

5 The GTFS is a scheme started over a decade ago by the Malaysian government aimed at advancing a green economy by providing essential funding for companies investing in green technologies.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   The likely grounds include:

   (a) liability for false or misleading disclosures pursuant to securities laws and regulations (e.g., sustainability reporting requirements applicable to listed issuers);

   (b) misrepresentation claims; and

   (c) breaches of consumer protection, trade descriptions and advertising laws.

4. **Other upcoming developments / direction of travel**

   It is still too early to speculate on the impact that RimbaWatch's judicial review applications against the two ministries may have in this area should they be successful. In any event, if leave is granted, it is likely to be several years before the court reaches a decision on the merits.

Myanmar

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Myanmar.

ESG in APAC – Myanmar
By Allen & Gledhill (Myanmar) Co., Ltd.

Year in review
(1 July 2025 to 30 June 2026)

- The ESG regulatory landscape in Myanmar has remained largely static.
- No progress has been made towards the adoption of a comprehensive ESG disclosure regime (based on international ESG reporting frameworks or otherwise).
- It is unclear if beneficial ownership disclosure obligations for the extractive industry will still be enforced in light of Myanmar's delisting from the Extractive Industries Transparency Initiative.
- The Myanmar Climate Change Strategy (2018-2030) remains in effect, but no new implementation measures or updates have been announced.
- A vehicle replacement scheme was announced to encourage the trade-in of older or unserviceable vehicles for electric vehicles, supported by the Central Bank's facilitation of foreign currency required for EV imports. The scheme is not expressly linked to the Myanmar Climate Change Strategy's sectoral outcomes and appears driven primarily by the prevailing fuel supply situation rather than a coordinated decarbonisation agenda.
- There have been no reported enforcement actions concerning greenwashing and no specific greenwashing legislation has been introduced.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   ESG disclosure requirements primarily apply to companies (i) which possess investment permits or endorsements issued by the Myanmar Investment Commission and are considered to have "a large potential impact on the environment and the local community"; and/or (ii) whose business activities are subject to environmental impact assessments or initial environmental examinations (together, the **In-Scope Companies**). The requirements include:

   (a) The Myanmar Investment Law and the Myanmar Investment Rules (**Investment Laws**), which require companies that are subject to environmental and social impact assessments to report their compliance status on a regular basis. Furthermore, such companies are required to submit a compliance report within 3 months after the end of each financial year in the prescribed form to the Myanmar Investment Commission to report on the impact of the approved investments on the environment and local community.

   (b) The Environmental Conservation Law and its subordinate legislation, being the Environmental Conservation Rules and the Environmental Impact Assessment Procedures (**Environmental Conservation Laws**), which prescribe the types of business activities subject to prior environmental assessments and set out disclosure requirements for such businesses, including the disclosure of initial environmental reports and continuous reporting obligations.

   (c) Companies listed on the Yangon Stock Exchange (**YSX**) and public companies with more than 100 shareholders are required to submit a directors' report annually to the Securities and Exchange Commission (**SEC**) and the Directorate of Investment and Company Administration (**DICA**). The directors' report shall disclose all risks and uncertainties faced by the company, although no specific reference to environmental or social related matters is mentioned under the law for making such disclosures. Furthermore, such companies are subject to continuous disclosure requirements to report to the SEC and DICA on any material changes in a timely manner.

   As part of Myanmar's response to the Extractive Industries Transparency Initiative (an organisation that seeks to establish a global standard to promote the open and accountable management of oil, gas and mineral resources), all companies in extractive industries incorporated in Myanmar are required to disclose their beneficial owners and whether they are related to any politically exposed person. However, Myanmar was delisted from the Extractive Industries Transparency Initiative in February 2024, and it remains unclear whether DICA continues to enforce these disclosure requirements.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   The disclosure requirements specified in section A.2 above are mandatory.

4. **Which aspects of ESG do the requirements focus upon?**

   For In-Scope Companies, the focus is on environmental and social aspects.

   For financial institutions, the additional focus is on anti-money laundering and anti-bribery.

5. **Are the disclosure requirements based on international standards? If so, which one(s)?**

   The disclosure requirements for In-Scope Companies are not generally based on international standards.

   The disclosure requirements relating to beneficial ownership and politically exposed person replicate the corresponding concepts in the Extractive Industries Transparency Initiative Standard 2019.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

   The disclosure requirements for In-Scope Companies adopt a double materiality approach whereas a single materiality approach applies to YSX-listed companies and financial institutions.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

   No.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   No, and we are not aware of any plans by the authorities to introduce such requirements. Where the Ministry of Natural Resources and Environmental Conservation identifies non-compliance with environmental rules by an investor, it has the authority to engage a third-party expert to assess the investor's compliance status.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   No, but a YSX-listed company has been making voluntary disclosure of its sustainability practices and initiatives.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

    No.

11. **Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?**

    No.

12. **Other upcoming developments / direction of travel**

    We are not aware of any recent development in ESG reporting requirements.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes. The Myanmar Climate Change Policy formulated by the former government in 2019 mandates the implementation of the Myanmar Climate Change Strategy (2018-2030), which sets out a 13-year roadmap with a stated 2030 goal of achieving climate resilient and low-carbon energy, transport and industrial systems that support inclusive and sustainable development and economic growth. The Myanmar Climate Change Strategy (2018-2030) includes sectoral master plans covering six priority areas, each with defined outcomes:

   (a) **Agriculture, fisheries and livestock** – to achieve climate-resilient productivity and climate-smart responses in the agriculture, fisheries and livestock sectors to support food security and livelihood strategies while also promoting resource-efficient and low-carbon practices;

   (b) **Natural resource management** – to manage natural resources in a way that enhances the resilience of biodiversity and ecosystem services that support social and economic development and deliver carbon sequestration;

   (c) **Energy, transport and industrial systems** – to build climate-resilient and low-carbon energy, transport and industrial systems that support inclusive and sustainable development and economic growth;

   (d) **Towns and cities** – to ensure all township and city dwellers, including the most vulnerable, are safe from increased risks of rapid- and slow-onset natural disasters and live in sustainable, inclusive, low-carbon, climate-resilient towns;

   (e) **Disasters, risks and health impacts** – to enable communities and economic sectors to respond to and recover from climate-induced disasters, risks and health impacts and build a healthy society;

   (f) **Education, awareness and technological systems** – to strengthen education, awareness and technological systems that foster a climate-responsive society and human capital to design and implement climate-resilient and low-carbon development solutions for inclusive and sustainable development.

   These targets are embedded as the government's policy priorities under the Myanmar Climate Change Strategy (2018-2030) rather than as legally binding obligations. They sit within the broader Myanmar Climate Change Policy (2019) framework, which directs implementation of the Strategy but does not itself carry the force of primary legislation.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   No.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   No.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   No.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   No, and we are not aware of any plan by the authorities to introduce such requirements.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   No, and we are not aware of any plan by the authorities to introduce such requirements.

7. **What (if any) policy support has been implemented to promote sustainable finance and investment?**

   None has been implemented to date. Myanmar has not introduced any specific initiatives aimed at mobilising capital towards sustainable or climate-related investment. The Myanmar Climate Change Strategy (2018-2030) identifies climate finance as one of its five implementation pillars and envisages mechanisms to channel funding towards its sectoral outcomes, but these remain aspirational with no specific measures having been rolled out in practice.

8. **Other upcoming developments / direction of travel**

   In May 2026, the National-Level Leading Committee on the Development of Electric Vehicles and Related Industries announced a voluntary vehicle replacement scheme allowing owners to deregister older or unserviceable vehicles in exchange for authorisation to import an electric vehicle (**EV**). The Central Bank of Myanmar will facilitate the scheme by selling the foreign currency required for the EV import at an appropriate exchange rate. This measure has not been expressly tied to the sectoral outcomes under the Myanmar Climate Change Strategy (2018-2030) and appears to respond primarily to the prevailing fuel supply situation. Beyond this scheme, we are not aware of further developments suggesting a move towards mandatory transition plans, due diligence obligations or broader climate-related finance initiatives.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   No. We are not aware of any such legal action taken by the relevant regulators or other stakeholders such as investors within the past five years, based on publicly available information.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   No. However, the applicable laws (see section A.2 above) carry penalties for non-compliance, including fines, regulatory penalties (e.g., revocation of licences) and criminal liabilities.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   Likely grounds include:

   (a) disclosure liabilities under investment laws, securities laws and regulations, e.g. providing materially false or misleading information in listing documents or other corporate disclosure documents such as ESG compliance reports or information;

   (b) breaches of directors' duties; and

   (c) claims in tort for misrepresentation.

4. **Other upcoming developments / direction of travel**

   We are not aware of any recent development in this regard.

New Zealand

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of New Zealand.

ESG in APAC – New Zealand
By Bell Gully

Year in review
(1 July 2025 to 30 June 2026)

- Climate Reporting Entities have completed their first and second mandatory climate statements based on the TCFD Recommendations. The second-year climate statements included additional mandatory requirements on current financial impacts of climate-related risks and transition plan aspects of strategy.
- Mandatory disclosure of Scope 3 GHG emissions and anticipated financial impacts has been deferred for an additional two years.
- As part of a broader suite of changes to reduce compliance burdens and strengthen the capital markets, the Government announced significant changes to reduce the reach of the existing climate-related disclosure regime, including relief for certain overseas entities, removal of health and life insurers from reporting obligations, raising the reporting threshold for listed issuers to NZ$1 billion market capitalisation, and removing Managed Investment Scheme managers from the regime. Directors of reporting entities will also benefit from lower liability settings.
- A consultation has been issued on a draft climate reporting roadmap, which envisages mandatory IFRS S2-aligned climate reporting for Climate Reporting Entities from 2033. Modern slavery reporting obligations are under legislative development.
- In response to the Supreme Court's decision in *Smith v Fonterra Co-operative Group Ltd* (which permitted novel tortious claims to be brought against several major emitters in New Zealand), the Government has announced plans to legislate to prevent findings of tortious liability for climate change damage caused by GHG emissions. The bill was introduced under urgency to Parliament and received its first reading in July 2026.

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Yes. There are mandatory climate-related disclosures based on the disclosure regime recommended by the TCFD. New Zealand was the first country to commit to making TCFD reporting mandatory and legislation establishing the climate reporting regime was passed in 2021.

NZX Limited (**NZX**) has a comply-or-explain regime for ESG disclosures, which applies to NZX-listed issuers of equity securities.

The Financial Markets Authority (**FMA**) has published guidance that sets out its expectations for issuers of financial products that incorporate non-financial elements (such as terms like "ethical", "responsible", "sustainable", "green" and "ESG").

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

Mandatory Climate Reporting

The Financial Markets Conduct Act 2013 (**FMCA**) requires certain entities to make prescribed climate-related disclosures. The regime applies to "Climate Reporting Entities" (**CREs**), comprising:

(a) large listed companies (with a market capitalisation of more than NZ$60 million);

(b) large registered banks, large licensed insurers, large credit unions, large building societies; and

(c) fund managers with significant assets under management (of more than NZ$1 billion).

In October 2025, as part of broader changes intended to reduce compliance burdens and strengthen New Zealand's capital markets, the Government announced changes (the **CR Amendments**) that will:

(a) raise the market capitalisation threshold for listed issuers from NZ$60 million to NZ$1 billion;

(b) remove health and life insurers from climate reporting obligations;

(c) remove Managed Investment Scheme managers from the regime; and

(d) grant relief to certain overseas entities subject to a comparable mandatory overseas climate reporting regime from reporting, assurance and record-keeping duties under Part 7A of the FMCA. Australia is the first approved jurisdiction under this exemption.

This will significantly reduce the number of CREs. It is intended that legislation to put these changes into effect will be passed in 2026.

CREs are required to prepare "climate statements" relating to their accounting periods. The climate statements must comply with the "climate-related disclosure framework", which is made up of a series of "climate standards".

The climate-related disclosure regime took effect for accounting periods that started on or after 1 January 2023. This means (for example) that entities with a 30 June balance date were required to prepare their first-year climate statements in relation to the accounting period ending 30 June 2024, and their second-year climate statements for the period ending 30 June 2025. Remaining CREs are now preparing their third-year climate statements for the period ending 30 June 2026, to be published within four months of that balance date.

The External Reporting Board (**XRB**) is responsible for developing the climate standards, while the FMA is responsible for enforcing compliance with those standards.

NZX Corporate Governance Code and NZX Guidance

The NZX Corporate Governance Code (**Code**) provides recommendations in relation to corporate governance principles for NZX-listed issuers to report under the NZX Listing Rules. It operates on a comply-or-explain basis.

One of the key aims of the Code is to promote issuer disclosure of ESG factors. In particular, one of the recommendations is that: "An issuer should provide non-financial disclosure at least annually, including considering environmental, social sustainability and governance factors and practices. It should explain how operational or non-financial targets are measured. Non-financial reporting should be informative, include forward looking assessments, and align with key strategies and metrics monitored by the board". Issuers may include other non-financial information, such as a description of the performance of their businesses against strategic goals.

NZX published an updated guidance note for issuers that are considering the disclosure of ESG factors under the Code (**NZX Guidance**). The note aims to help issuers better understand the benefits of ESG reporting and the global reporting regimes available. It also outlines good ESG practices and accepted frameworks for issuers to consider.

FMA Disclosure Framework

In 2026, the FMA published an updated sustainability-related disclosure guidance (**FMA Disclosure Framework**), replacing and operationally expanding the 2020 FMA Disclosure Framework. The FMA Disclosure Framework provides concrete examples based on four key principles: (i) claims need to be clear; (ii) substantiate your claims; (iii) messages need to be consistent; and (iv) third-party involvement is effectively managed.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

The requirement to prepare climate statements is mandatory for CREs. Certain provisions are subject to temporary relief: disclosure of current financial impacts and transition plan aspects of strategy became mandatory in the second year of reporting, and anticipated financial impacts and Scope 3 GHG emissions will become mandatory in the fifth year of reporting.

CREs that will fall outside the mandatory regime under the upcoming CR Amendments may choose to continue to produce climate statements on a voluntary basis after the amending legislation is enacted and the thresholds for reporting are changed. The FMA has confirmed a "no action" approach for affected entities while amending legislation passes (expected in 2026). However, the "fair dealing" provisions in Part 2 of the FMCA continue to apply to representations made in any voluntary reporting.

NZX's recommendations apply on a comply-or-explain basis.

The FMA Disclosure Framework applies to issuers of integrated financial products. It is not expressed as being mandatory in the strict sense, but is guidance from the FMA on how it intends to interpret the relevant provisions of the FMCA, and is hence treated as effectively mandatory.

4. Which aspects of ESG do the requirements focus upon?

Mandatory Climate Reporting

CREs are required to prepare climate statements which must comply with the "climate-related disclosure framework" based on the TCFD Recommendations, covering governance, strategy, risk management, and metrics and targets. The framework is made up of a series of "climate standards" issued by the XRB.

NZX Corporate Governance Code & NZX Guidance

The NZX Guidance encourages good ESG practices for issuers to consider adopting when making ESG disclosures, focusing on the impact of ESG factors on business models, management of ESG risks and the transition to a low carbon economy.

FMA Disclosure Framework

The FMA Disclosure Framework outlines the type of disclosure that the FMA would expect to see from issuers of "integrated financial products". It focuses on the "fair dealing" provisions in Part 2 of the FMCA and the framework notes that the fair dealing provisions apply broadly and the FMA will consider whether the conduct or disclosure is likely to mislead or confuse as perceived by an investor. The FMA Disclosure Framework also focuses on how performance against non-financial factors is measured and evidenced, the monitoring and governance framework relevant to non-financial factors, and risks associated with the integrated financial products.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The climate-related disclosure reporting requirements have been developed in line with the TCFD Recommendations.

The NZX Guidance and FMA Disclosure Framework each refer to relevant international frameworks, but are not based on them.

However, the XRB has launched a consultation on a draft roadmap that foresees the adoption of IFRS S2. The draft roadmap proposes issuing a new climate standard (NZ IFRS S2 Climate-related disclosures), which will be internationally aligned by adopting IFRS S2 as its basis and harmonised with Australia's reporting obligations under AASB S2 Climate-related Disclosures and the Australian Corporations Act 2001. Comments on the draft roadmap are requested by 30 September 2026. If adopted, mandatory application of NZ IFRS S2 would commence from 2033.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

   The mandatory climate reporting regime explicitly approaches materiality as double materiality. The New Zealand Climate Standard 3 (**NZ CS 3**) defines information as "material" if omitting, misstating or obscuring it could reasonably be expected to influence decisions that primary users make on the basis of an entity's climate-related disclosures. This broad definition of "materiality" requires an entity to consider the context within which it operates (i.e., an entity's geographical location, its industry sector, or the state of the economy), whilst also considering the size of ESG impacts against the entity's financial position, performance and cash flows.

   The Code and NZX Guidance indicate that the approach to materiality is single materiality. By way of example, the NZX Guidance specifies that issuers may wish to explain the relevance of ESG factors to their business, and the material ESG risks faced by the business.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

   Yes, there are requirements for the disclosure of GHG emissions by CREs in their climate statements.

   CREs must disclose Scope 1, Scope 2 (calculated using the location-based method) and Scope 3 emissions. Originally, a CRE may defer full disclosure of Scope 3 emissions until its third reporting year and the provision of comparative Scope 3 information until its fourth reporting year, where applicable transitional reliefs are used. This was subsequently extended by an additional two years, meaning CREs may defer disclosure of Scope 3 GHG emissions until their fifth reporting year and comparative Scope 3 information until its sixth reporting year.

   Under the mandatory climate reporting "climate standards", the XRB recognises globally accepted standards, such as the GHG Protocol Corporate Accounting and Reporting Standard and ISO 14064-1, for GHG emissions measurement and reporting. The XRB does not mandate a specific GHG emissions measurement approach, but requires CREs to disclose the standards they use. The XRB has determined, through consultation and analysis, that different measurement standards can yield comparable results. Therefore, CREs must transparently disclose their chosen standards under the XRB's guidelines.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   ### Mandatory climate reporting

   Yes. For accounting periods ending on or after 31 December 2025, Scope 1 and Scope 2 GHG emissions disclosures must be assured. Following the CR Amendments, CREs may continue to rely on transitional relief from mandatory assurance of Scope 3 emissions disclosures for accounting periods ending before 31 December 2027, meaning Scope 3 assurance becomes mandatory for periods ending on or after that date.

   The assurance practitioner must comply with applicable standards when carrying out the assurance engagement (i.e., the Standard on Assurance Engagements 1 issued by the XRB on 3 August 2023). The assurance engagement can also cover other parts of the climate-related disclosure, or the whole statement.

   The assurance report will have to be filed with the climate statements.

   ### NZX Guidance / FMA Disclosure Framework

   No assurance required.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   Yes. A number of non-CRE New Zealand entities have voluntarily included TCFD-based climate-related disclosures in their annual reporting. This voluntary inclusion has increased since 2019 when the New Zealand Government endorsed the TCFD Recommendations.

   In respect of the NZX Guidance, it is also relatively common for NZX-listed issuers to include ESG disclosures in their annual reports. This disclosure is increasingly requested by investors.

   It is also common in New Zealand for integrated financial products to be issued with ESG-related disclosures.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

In July 2024, the Centre for Sustainable Finance: Toitū Tahua (**CSF**), an industry body, prepared a recommendations report for developing a sustainable finance taxonomy for New Zealand. CSF had been tasked by the New Zealand Government to convene an Independent Technical Advisory Group to prepare and publish non-binding advice on the design of a taxonomy and to provide its recommendations to the Minister for Climate Change.

Since July 2024, development of New Zealand's sustainable finance taxonomy has progressed with ongoing work focused on key sectors. A public consultation on the taxonomy was conducted in mid-2025, focusing on defining clear criteria for sustainable activities, with an initial focus on the forestry and agricultural sectors. The taxonomy is expected to be finalised in December 2026.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

The XRB has stated that it is committed to paying close attention to the ISSB's work, including IFRS S1 and IFRS S2. The XRB has acknowledged the need to enable New Zealand entities to report in a globally consistent manner and issued a request for information in May 2025 on the costs and benefits of aligning New Zealand climate reporting with international standards. A post-implementation review commenced in December 2025, during which the XRB considered aligning climate reporting standards with international standards if they meet user needs and the objective of the New Zealand Climate Standards. Under the proposed roadmap, an IFRS S2-aligned climate reporting standard would take effect and replace the current TCFD-aligned requirements from 2033, with early adoption permitted.

12. Other upcoming developments / direction of travel

CREs have now completed their first and second mandatory climate statements, marking significant milestones in New Zealand's climate-related disclosure regime. The FMA and XRB continue to play key roles, with the focus having shifted from preparation support to monitoring and enforcement.

In May 2026, the FMA released its second Insights Report on Climate Disclosures, providing feedback from its reviews of climate statements for the second year of reporting. It noted encouraging improvements across sectors including clearer report structures, improved GHG emissions disclosures and better governance and risk management articulation, while highlighting areas for continued improvement.

As outlined in section A.2 above, the Government has announced the CR Amendments, which will result in significant changes to the scope of the climate-related disclosure regime and narrow the number of CREs. The FMA has confirmed a "no action" approach for affected entities while amending legislation passes (expected in 2026). The CR Amendments will also soften liability settings for directors of CREs – see section C.4 below for more detail.

The Modern Slavery Bill, which passed its first reading in April 2026, would impose new obligations on businesses operating in New Zealand with annual revenue above NZ$100 million to report annually on their modern slavery risks. A modern slavery statement must include details of the entity's structure, operations and supply chains, any modern slavery incidents that have occurred, known or anticipated risks of modern slavery, and actions taken to assess, prevent, address, mitigate and remediate such risks. There are also requirements to disclose the number of complaints received, and investigation and remediation measures. Enforcement consequences proposed under the bill include potential personal liability for directors and others involved in producing the disclosures. The Select Committee report-back date is set for 31 August 2026. If enacted, the framework could take effect in early 2027, with the first mandatory statements expected in 2028.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. At the end of 2019, the New Zealand Government set a target of achieving net-zero GHG emissions by 2050 (other than for biogenic methane, for which the target was to reach a 24-47% reduction below 2017 levels by 2050). The biogenic methane target was last updated in December 2025 via an amendment to the Climate Change Response Act, lowering the required reduction levels (to 14-24% below 2017 levels by 2050) and adding a requirement to consider implications for domestic food production.

The Climate Change Response Act 2002 requires the Government to set "emissions budgets" (the total quantity of emissions allowed during an emissions budget period). This aims to keep the Government on track to meet its long-term reduction target. Each emissions budget covers a multi-year period.

The Government has set the first three emissions budgets and published an Emissions Reduction Plan. The Emissions Reduction Plan includes actions relating to system settings for reducing emissions, including approaches for empowering Māori, ensuring an equitable transition plan and working with nature. It also includes plans for reducing emissions in key emitting sectors, including the energy and industry sectors.

In November 2024, the Climate Change Commission recommended updating the 2050 target to reflect evolving scientific understanding, international developments and the inclusion of emissions from international aviation and shipping.

The Climate Change Commission delivered its final advice on the fourth emissions budget (covering 2036 to 2040) in November 2024, which also included recommendations on revising the first three budgets (2022-2035).

The Government is required to set the fourth emissions budget by 31 December 2027. This deadline was extended by 24 months to give the Climate Change Commission time to update its advice following revisions to the 2050 biogenic methane targets.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Yes, the New Zealand Emissions Trading Scheme (**NZ ETS**) is a mandatory carbon-trading market that applies to emitters in specified industries (and voluntary for emitters outside the regime).

The NZ ETS helps reduce emissions by doing three main things:

(a) requiring emitters to measure and report on their GHG emissions;

(b) requiring emitters to surrender one "emissions unit" (known as an NZU) to the Government for every tonne of emissions they emit; and

(c) limiting the number of NZUs available to emitters (i.e., that are supplied into the scheme).

The Government sets and reduces the number of NZUs supplied into the scheme over time. This limits the quantity that emitters can emit, in line with New Zealand's emission reduction targets.

Businesses that participate in the NZ ETS can buy and sell units from each other. The price for NZUs reflects supply and demand in the scheme.

New Zealand does not currently impose (nor are there plans to impose) any carbon taxes or CBAMs.

3. Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?

There is no mandatory requirement to have a transition plan. However, in its climate statement, each CRE is required to include the transition plan aspects of its strategy, including:

(a) how its business model and strategy might change to address its climate-related risks and opportunities; and

(b) the extent to which the transition plan aspects of its strategy are aligned with its internal capital deployment.

Disclosure of the transition plan aspects of a CRE's strategy was optional in the first year of reporting and became mandatory from the second year of reporting.

In December 2024, the XRB published staff guidance documents on transition planning to support CREs that were preparing their second-year climate statements. Chartered Accountants Australia and New Zealand also published information guidance on transition plans in May 2025.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   There is no mandatory requirement to set targets. However, in its climate statement, a CRE is required to disclose information on the metrics and targets used to measure and manage climate-related risks and opportunities. The XRB has prepared relevant guidance on this.

   Information on targets must include:

   (a) the relevant timeframe;

   (b) any associated interim targets;

   (c) the base year from which progress is measured;

   (d) a description of performance against the targets; and

   (e) specific information for each GHG emission target.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   Under the Waste Minimisation Act 2008, there is a mandatory product stewardship scheme in place for tyres, with schemes for five other priority products (including plastic packaging and e-waste) at various stages of consideration.

   The Ministry for the Environment has proposed replacing product stewardship with a suite of EPR schemes, which would place additional legal obligations on producers to reduce waste and manage products throughout their life cycle.

   The consultation period for this proposal ended in June 2025, and outlined five primary proposals:

   (a) developing an EPR framework to ensure producers remain responsible for products after consumer use;

   (b) changing the allocation method of waste levies to local governments and clarifying the use of those funds;

   (c) clarifying roles and responsibilities of central government and the waste industry;

   (d) improving tools for compliance, monitoring and enforcement; and

   (e) enabling efficient and effective measures to manage illegal dumping and other improper waste.

   In addition, the Ministry is currently consulting on options to reduce GHG emissions from organic waste, as part of the second Emissions Reduction Plan.

   There are no mandatory eco-design standards in New Zealand at present.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   No. New Zealand does not currently have mandatory corporate sustainability due diligence requirements comparable to the CSDDD.

   However, there are plans for modern slavery reporting obligations (see section A.12 above) that would require in-scope businesses to disclose known or anticipated risks of modern slavery, and any actions taken to assess, prevent, address, mitigate and remediate such risks. Although these are reporting obligations (rather than the more onerous positive due diligence duties initially canvassed in 2022), they nevertheless represent a significant regulatory upgrade and would likely encourage in-scope businesses to enhance their supply chain diligence processes to address modern slavery risks.

7. **What (if any) policy support has been implemented to promote sustainable finance and investment?**

   The Government has taken several steps to support sustainable finance and investment in New Zealand. Key measures include supporting the development of a sustainable finance taxonomy, the mandatory climate-related disclosure regime for CREs, the NZ ETS and the Government's Emissions Reduction Plan.

8. **Other upcoming developments / direction of travel**

   New Zealand's second Emissions Reduction Plan 2026-2030 shows New Zealand is on track to meet the first two emissions budgets, the 2050 biogenic methane target, and the net zero 2050 target, with emissions meeting net zero as early as 2044.

   As outlined in section A.12 above, the Modern Slavery Bill, which passed its first reading in April 2026, would impose new reporting obligations on businesses above a NZ$100 million financial threshold, requiring mandatory modern slavery statements in annual reports and creating potential personal liability for directors and others involved in producing the disclosures.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   Whilst the consumer and financial markets regulators (the Commerce Commission and the FMA) have each issued regulatory guidance regarding greenwashing and sustainability-related disclosures, there have been relatively few examples of legal proceedings or regulatory actions regarding greenwashing in New Zealand. However, recent examples include:

   (a) **Z Energy**: Proceedings against Z Energy were lodged in the High Court in 2023 by Lawyers for Climate Action New Zealand and Consumer New Zealand for greenwashing. The claimants submitted that Z Energy had made numerous claims, giving the impression that it was attempting to significantly reduce its emissions and mitigate its contribution to the climate crisis, despite being New Zealand's second largest GHG emitter. The case settled in November 2025 with an apology from Z but no admission of liability.

   (b) **Fonterra**: In September 2024, Greenpeace Aotearoa issued proceedings against Fonterra regarding the labelling of Anchor butter as "100% grass-fed". Fonterra removed the labelling and undertook not to use the label on packaging in the future in April 2026 but made no admission on whether the packaging was misleading.

   In addition, the Advertising Standards Authority (**ASA**), a self-regulatory body funded by the advertising and media industries, has issued a number of decisions including findings of "greenwashing". For example, **Christchurch Airport** chose to remove the words "climate positive" in relevant advertisements following a complaint made to the ASA regarding greenwashing in January 2024.

   Beyond greenwashing, the Supreme Court's 2024 decision in *Smith v Fonterra Co-operative Group Ltd* marks one of the first times in the common law world that a court has recognised an arguable possibility that tort law can be used to challenge the GHG emissions of private entities. The Supreme Court overturned the Court of Appeal's decision to strike out all claims against seven corporate defendants who are major emitters in New Zealand, and allowed Mr Smith's claims in negligence, public nuisance, and a novel "climate system damage" tort to proceed to trial. However, see section C.4 below for the Government's proposed response to this case.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   No, but the general prohibitions under the FMCA and Fair Trading Act (**FTA**) will apply (see section C.3 below). The Commerce Commission has issued general guidance on environmental claims.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   There are no specific prohibitions against "greenwashing". However, New Zealand's consumer protection and financial services legislation (the FTA and the FMCA) each contain restrictions on "unsubstantiated representations" (being representations that are not supported by reasonable grounds at the time they were made), which are likely to be the primary basis for any allegation of greenwashing.

4. Other upcoming developments / direction of travel

The regulators currently have an active focus on greenwashing and sustainability-related claims in both consumer and financial markets contexts, signalled by the FMA's 2026 updated sustainability-related disclosure guidance.

More generally, New Zealand is likely to introduce a new statutory class actions regime (following recommendations by the Law Commission in 2022), which is likely to increase the risk of greenwashing or sustainability-related claims where large numbers of consumers are affected.

In addition, the Fair Trading Amendment Bill, introduced in May 2026, proposes significant reforms including shifting most FTA breaches from criminal to civil enforcement and raising maximum penalties. These changes would strengthen the enforcement framework applicable to greenwashing and sustainability-related claims under the FTA. Penalties for body corporates will increase from NZ$600,000 to the greater of NZ$5 million; or three times the value of the commercial gain made or loss avoided; or the value of the consideration for the transactions that constituted the contravention.

Under the current climate-related disclosure regime, directors are deemed liable for breaches of certain disclosure obligations by a CRE. The liability settings for directors of CREs are expected to be softened upon enactment of the CR Amendments (outlined in section A.2 above), whereby directors will no longer be deemed liable solely by virtue of a CRE's breach of the climate reporting rules. In addition, the Government's announcement stated directors and CREs will not have to show the same level of evidence for climate disclosures as they do for financial disclosures (noting that "climate reporting involves future-focused and uncertain information, unlike financial reporting, which draws on historical information").

Beyond greenwashing and sustainability-related disclosures, the Supreme Court's decision in *Smith v Fonterra Co-operative Group Ltd* saw one of the first times in the common law world that a court has recognised an arguable possibility that tort law can be used to challenge the GHG emissions of private entities. However, in May 2026, the Government announced plans to legislate to prevent findings of tortious liability for climate change damage caused by GHG emissions. The Climate Change Response (Tort Liability) Amendment Bill was introduced under urgency to Parliament, where it received its first reading in July 2026.

Philippines

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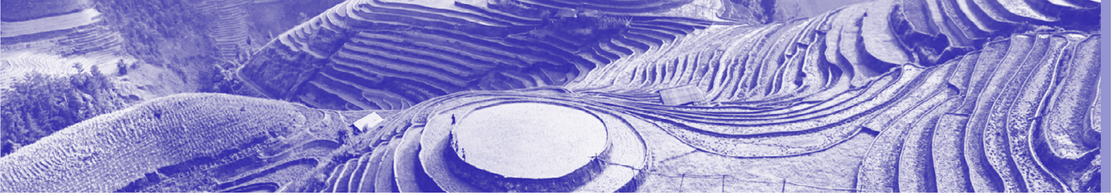
Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of the Philippines.

ESG in APAC – Philippines
By SyCip Salazar Hernandez & Gatmaitan

Year in review
(1 July 2025 to 30 June 2026)

- The Philippines adopted ISSB-aligned mandatory sustainability reporting standards, which will be implemented in phases. The new regime commenced from FY2026 for larger listed companies (reporting in 2027) under a climate-first approach and will extend beyond listed companies to include large non-listed entities.
- Regulations that seek to provide a framework for the implementation of carbon projects, particularly in the forestry sector and the energy sector, have been issued. These measures give carbon projects a level of transparency, credibility and stability not previously afforded to carbon projects in the Philippines.
- Legislative proposals for a mandatory ETS and a climate accountability act (which would impose sweeping climate-related obligations including due diligence obligations on businesses) remain under consideration.



A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   In the Philippines, ESG disclosure/reporting is primarily governed by Securities and Exchange Commission (SEC) Memorandum Circular No. 16, series of 2025 (**SEC MC No. 16-2025**). It recently replaced SEC Memorandum Circular No. 4, Series of 2019 (**Sustainability Reporting Guidelines for Publicly Listed Companies**), which previously governed the sustainability reporting obligations of publicly listed companies (**PLCs**).

   SEC MC No. 16-2025 expands sustainability reporting obligations to include PLCs, as well as non-listed entities (**LNLs**) with annual revenue exceeding PhP15 billion. Revenue is income arising in the course of an entity's ordinary activities as defined by applicable PFRS Accounting Standards. The threshold is based on the consolidated or group-level revenue if the company is a parent; otherwise, it is at company level.

   ESG disclosure/reporting obligations of banks are currently governed by Bangko Sentral ng Pilipinas (BSP, the Philippine Central Bank) Circular No. 1085 (**Sustainable Finance Framework**), Section 153 of the Manual of Regulations for Banks.

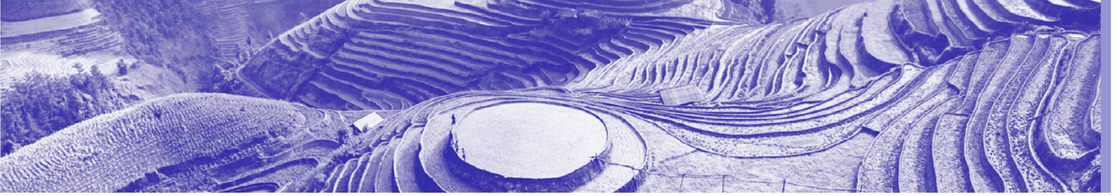
   Product-level ESG disclosure/reporting requirements are provided for in SEC regulations governing the issuance of green, social, sustainability, sustainability-linked, and blue bonds, and green equity and the establishment of Sustainable and Responsible Investment (**SRI**) funds.

   The responses to the succeeding questions focus on SEC MC No. 16-2025, which is the key regulation on ESG disclosure/reporting in the Philippines.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   The reporting requirement under SEC MC No. 16-2025 is mandatory. However, the circular adopts a phased implementation approach. Covered companies are required to report in accordance with the requirements of the circular beginning in 2026, 2027 or 2028, depending on their classification as follows:

Tier	Timeline	Covered companies
1	FY beginning on or after 1 January 2026 (reporting in 2027)	PLCs listed in the Philippine Stock Exchange, Inc. (**PSE**) with market capitalisation of more than PhP50 billion as of 31 December 2025, or at the date of its listing after 31 December 2025.
2	FY beginning on or after 1 January 2027 (reporting in 2028)	PLCs with market capitalisation of more than PhP3 billion up to PhP50 billion as of 31 December 2025, or at the date of its listing after 31 December 2025.
3	FY beginning on or after 1 January 2028 (reporting in 2029)	**(a)** PLCs with market capitalisation of PhP3 billion or less as of 31 December 2025, or at the date of its listing after 31 December 2025; **(b)** PLCs whose debt securities are listed solely on the Philippine Dealing & Exchange Corp. (**PDEx**) and have no equity securities listed in PSE; or **(c)** LNLs with annual revenue of more than PhP15 billion for the immediately preceding FY.



Furthermore, SEC MC No. 16-2025 provides for certain transition reliefs and exemptions, which are discussed in the response to section A.5 below.

4. Which aspects of ESG do the requirements focus upon?

SEC MC No. 16-2025 prescribes the use of Philippine Financial Reporting Standards (**PFRS**) S1 (General Requirements for Disclosure of Sustainability-related Financial Information) and PFRS S2 (Climate-related Disclosures). PFRS S1 and PFRS S2 are respectively based on IFRS S1 and IFRS S2 issued by the ISSB.

IFRS S1 requires an entity to disclose information about all sustainability-related risks and opportunities, while IFRS S2 requires an entity to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The disclosure requirements under SEC MC No. 16-2025 are based on IFRS S1 and IFRS S2 on a full alignment basis subject to the following transition reliefs:

(a) covered companies under Tiers 1 and 2 are permitted to disclose information on only climate-related risks and opportunities in their first year of adoption, while covered companies under Tier 3 are allowed to do so in their first two years of adoption;

(b) in their first year of adoption, covered companies under all tiers are permitted to submit their Sustainability Report after publishing the related financial statements either (i) together with the next second-quarter or half-year interim financial statements, or (ii) within nine months from the end of the reporting period if there are no interim financial statements;

(c) in their first year of adoption, covered companies under all Tiers are not required to disclose comparative information. "Comparative information" refers to information from the preceding period corresponding to all amounts disclosed in the current reporting period;

(d) in their first year of adoption, covered companies under all Tiers are allowed to use methods other than the Greenhouse Gas Protocol in measuring their GHG emissions; and

(e) in the first two years of adoption, covered companies under all Tiers are not required to report their Scope 3 GHG emissions, and are required to report only their Scope 1 and Scope 2 GHG emissions.

Furthermore, an LNL may be exempt from submitting a Sustainability Report if its parent company files a Sustainability Report under the applicable framework in its jurisdiction, the LNL's sustainability disclosures are included in the parent's publicly available report, and the LNL submits a "Certificate of Exemption from Mandatory Sustainability Reporting" with its annual financial statements. The rules for exemption are further discussed below.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

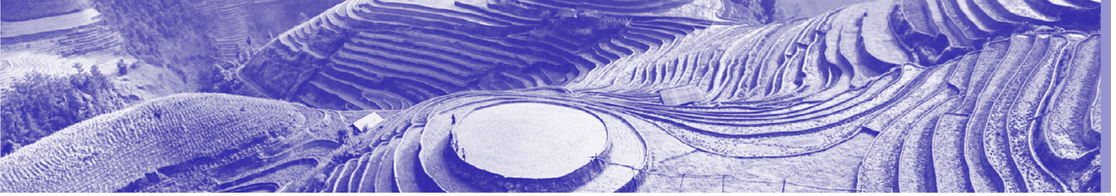
SEC MC No. 16-2025 focuses on single materiality.

7. Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

Yes. Companies covered by the reporting obligation under SEC MC No. 16-2025 are required to report on their Scope 1, Scope 2 and Scope 3 GHG emissions, and must use the GHG Protocol in measuring their GHG emissions. However, this is subject to the transition reliefs discussed in section A.5.

8. Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?

SEC MC No. 16-2025 imposes mandatory external limited assurance for Scope 1 and Scope 2 GHG emissions by an independent assurance practitioner (i.e., certified public accountant or qualified non-accountant) two years after the reporting company's initial implementation of PFRS S1 and S2. The requirement will progress toward reasonable assurance over time. Companies are also encouraged to obtain reasonable assurance over their full sustainability report.



9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   No, voluntary ESG disclosures are not customary in the Philippines. However, 22% of listed companies disclosed their sustainability reports to the SEC as of 2017, even prior to the adoption of the SEC's Sustainability Reporting Guidelines.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

    The Inter-Agency Technical Working Group for Sustainable Finance has prepared the Philippine Sustainable Finance Guiding Principles (**Guiding Principles**). The Guiding Principles were developed to provide principles-based guidance (rather than set rules detailing requirements) on identifying activities that contribute to supporting sustainable development, with a focus on addressing the impacts of climate change.

    The Philippine Sustainable Finance Taxonomy Guidelines (**SFTG**) were formulated through collaborative efforts between the BSP, the SEC and the Insurance Commission (**IC**). It serves as an overarching guide for the financial sector and its stakeholders to operationalise the Guiding Principles. The SFTG serves as a tool to classify whether an economic activity is environmentally and socially sustainable and guides different stakeholders in making informed investment or financing decisions. SEC-regulated entities are directed to deepen their understanding and familiarity with the SFTG and are encouraged to take into consideration its provisions and prescribed standards.

    The SEC's rules on green (including blue), social and sustainability bonds identify categories of projects eligible to be financed by proceeds from the issuance of said bonds. The list of eligible projects, while indicative, captures the most commonly-used types of projects supported or expected to be supported by the market for these types of bonds.

11. **Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?**

    No. However, note that the BSP has announced plans to adopt PFRS S1 and S2 in connection with reporting obligations of banks, and to amend the Sustainable Finance Framework for this purpose.

12. **Other upcoming developments / direction of travel**

    The SEC is expected to issue subsequent guidance materials to assist covered entities in the effective implementation of SEC MC 16-2025.

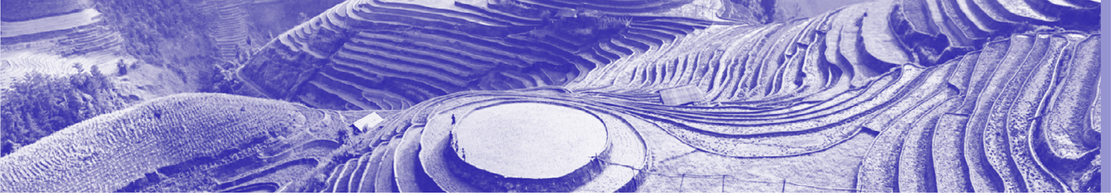
    In addition to SEC MC 16-2025, a bill has been re-filed in the Philippine House of Representatives in January 2026 (House Bill No. 7463) seeking to enact the **Sustainability Reporting Act**, which will require all corporations – both stock and non-stock – registered with the SEC (including publicly listed corporations, large private corporations and other corporations as may be determined by the SEC based on size, public interest and sectoral risk) to submit a sustainability report to the SEC in accordance with implementation guidelines or directives to be issued by the SEC. The objective is to institutionalise sustainability reporting with a double materiality perspective in the private sector. The bill is at the early stages of the legislative process.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   The Philippines has committed to a GHG emissions reduction and avoidance target of 75%, referenced against the business-as-usual scenario, for the period of 2020 to 2030. Of this, 2.71% is unconditional and 72.29% is conditional. This commitment is embodied in the Philippines' NDC communicated to the UNFCCC.

   The National Climate Change Action Plan 2011-2028 outlines specific programs and strategies for climate change adaptation and mitigation. Four of these programs and strategies relate to achieving lower carbon emissions: (a) Ecological and Environmental Stability; (b) Climate-Smart Industries and Services; (c) Sustainable Energy; and (d) Knowledge and Capacity Development.



The NDC Implementation Plan sets out a roadmap and actions for implementing the Philippines' NDC. It outlines policies and measures to reduce or avoid emissions in five sectors: agriculture, waste, industry, transport and energy.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   Currently, there are no direct carbon pricing requirements in the Philippines.

   However, under the Renewable Energy Act of 2008, renewable energy (**RE**) developers are entitled to tax incentives including, among others, an income tax holiday for the first seven years of commercial operations and a lower corporate income tax rate thereafter, duty-free importation, special realty tax rates and tax credits for certain RE machinery, equipment and materials. The sale of fuel or power generated from RE is subject to 0% value-added tax. In addition, all proceeds from the sale of carbon emission credits are exempt from all taxes. Furthermore, under the National Internal Revenue Code, as amended, coal and refined and manufactured mineral oils and motor fuels are subject to excise tax. Indirectly and to some degree, these impose a price on the negative externalities of fossil fuels.

   A bill for the enactment of the Low Carbon Economy Act has been filed in the Philippine House of Representatives in July 2025. It provides for, among others, a domestic cap-and-trade ETS, with provisions on emission reduction measures and targets, a cap on GHG, allowances, and the establishment of a carbon trading system. The bill was approved by the House of Representatives under the 19th Congress but was not enacted into law before the latter adjourned in 2025. Its re-filing underscores the commitment of its proponents to secure its passage and enactment into law.

   Earlier in 2024, the then Secretary of Finance acknowledged, during the Technical Working Group Meeting for Preparing Carbon Pricing Instruments for the Philippines, the need for a study of carbon pricing instruments (including a carbon tax and an emissions trading system) and the optimal mix thereof.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   Not explicitly. However, PFRS S2 requires disclosure of certain details of the reporting entity's transition plan if it has one.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

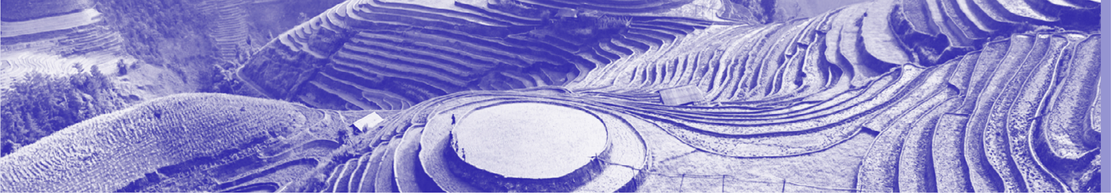
   Yes. PFRS S2 requires a disclosure of the reporting entity's performance in relation to climate-related risks and opportunities, including progress towards any targets the entity has set.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   The Extended Producer Responsibility Act of 2022 (**EPRA**) requires product producers (which include brand owners and product manufacturers) to recover up to 80% of their plastic packaging waste by 2028. Product producers obliged to implement EPR are those enterprises that generate plastic packaging whose total value of assets exceeds PhP100 million waste. They must establish or phase-in EPR programs for the effective management of plastic packaging waste, through reduction of non-environment friendly products and product waste recovery programs. Micro, small, and medium enterprises are not covered by the EPRA but are encouraged to practice EPR voluntarily.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   None at the moment. However, the proposed Climate Accountability Act, which has been undergoing legislative consideration since November 2023, includes requirements to conduct due diligence on and address climate change-related human rights impacts and prevent human rights abuses throughout the value chains. See section B.8 below for the status of the bill as at the date of this publication.



7. What (if any) policy support has been implemented to promote sustainable finance and investment?

With regard to taxonomies, please see our response to section A.10 above.

With regard to blended finance, under the Public-Private Partnership (**PPP**) Code of the Philippines, alternative financial instruments such as Green Financing, corporate or project bonds and securities, and other forms of capital market financing may be allowed for PPP Projects.

Lastly, BSP Circular No. 1185 aims to scale up sustainable finance by (a) granting an additional single-borrower limit of 15% of net worth on loans, credit accommodation and guarantees for the purpose of financing eligible green or sustainable projects (including transitional activities to support decarbonisation) and (b) gradually reducing the reserve requirement rate to 0% for new and outstanding sustainable bonds issued by banks.

8. Other upcoming developments / direction of travel

Carbon trading

Significant movements have been observed in the development of frameworks for voluntary carbon trading, including:

(a) the issuance of Department of Environment and Natural Resources (**DENR**) Administrative Order No. 2026-02 (Adoption of the Philippines' Readiness in the Voluntary Forest Carbon Market: Roadmap (2026-2030) and DENR Administrative Order No. 2026-05 (Forest Carbon Credit Projects Guidelines);

(b) the issuance of Department of Energy Department Circular No. DC 2025-09-0018 (General Framework for Carbon Credits in the Energy Sector); and

(c) the execution of the Implementation Agreement on Carbon Credits Collaboration under Article 6 of the Paris Agreement between Singapore and the Philippines signed on 30 April 2026.

At present, the Philippines does not have carbon rights legislation which provides a comprehensive legal framework for carbon rights, including the recognition, transfer and benefit-sharing of carbon credits derived from emission reduction and emission removal activities. The measures are an attempt to fill, by way of executive action, the gap in legislation. These measures will provide carbon projects a level of transparency, credibility and stability not previously afforded to such projects in the Philippines. While key components of a fully operational framework are still under development, the above-mentioned measures demonstrate the Philippine government's commitment to, and support for, carbon emissions reduction and removal projects and carbon trading.

Climate Accountability Act

In addition to the proposed Low Carbon Economy Act, another piece of legislation that will have game-changing impact is the proposed Climate Accountability (**CLIMA**) Act which has been under legislative consideration since November 2023. One of the key features of the draft CLIMA Act is the imposition of responsibilities on businesses that have reported revenues of more than PhP15 billion in the previous tax year and carbon majors (regardless of gross income) to:

(a) make climate-related financial disclosures;

(b) measure, analyse and report their GHG emissions;

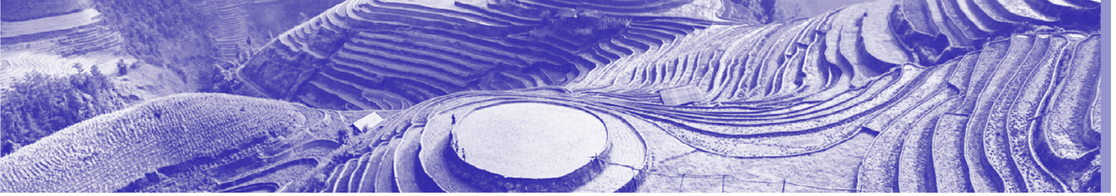
(c) prevent human rights abuses throughout their value chains;

(d) conduct due diligence on and address their climate change-related human rights impacts;

(e) develop mitigation and adaptation strategies that will comprise their decarbonisation climate action plan and report on the status of this plan on an annual basis; and

(f) submit an annual compliance report which shall contain their emissions baseline and reduction progress, reduction activities and outcomes, emissions allowance and excess emissions, and future plans.

The bill was filed in the House of Representatives under the 19th Congress but was not approved by both the House of Representatives and the Senate before the 19th Congress adjourned in 2025. Its re-filing underscores the commitment of its proponents to secure its passage and enactment into law. There are reports that the House of Representatives intends to approve it within 2026.



C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   We are not aware of any such proceedings, actions or investigations.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   No, but some guidance does exist.

   (a) BSP Circular No. 1149 (Guidelines on the Integration of Sustainability Principles in Investment Activities of Banks) requires banks to adopt measures to ensure that investments are channelled to, among others, companies that do not engage in greenwashing. It defines greenwashing as the deceptive marketing used to persuade the public that an organisation's products, aims, and policies are environmentally friendly. Greenwashing may also come in the form of dissemination of misleading information, whether intentional or not, regarding a company's environmental strategies, goals, motivations, and actions that can induce a falsely positive perception of a company's environmental and social performance.

   (b) As previously mentioned, SEC regulations set guidelines when bonds may be labelled as green, blue, social, sustainability, or sustainability-linked bonds, and when funds may be labelled as SRI funds.

   The draft CLIMA Act defines greenwashing as: "the conveyance of false information on the environmental soundness of [a company's] products, operations, and services." Acts of greenwashing include, but are not limited to, "outright false statements, understating impacts, omitting trade-offs, absence of proof backing up claims, vague or overbroad claims, [and] false third-party certifications."

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   Likely grounds for a suit include:

   (a) making false or misleading statements, or fraud under the Securities Regulation Code;

   (b) false, deceptive or misleading advertisement under the Consumer Act of the Philippines;

   (c) fraud, giving rise to damages under the Civil Code;

   (d) estafa by false pretences or deceit under the Revised Penal Code; and

   (e) breach of express warranties in a contract of sale.

   Administrative penalties may also be imposed against investment funds for unauthorised use of SRI, ESG, or any other similar or associated terms in the name and/or marketing materials, or for making false statements as to its qualification as an SRI fund or over-emphasising sustainability or ESG features in any communication or advertising materials.

4. **Other upcoming developments / direction of travel**

   We are not aware of any cases filed before Philippine courts or tribunals on claims for breach of directors' duties in relation to sustainability matters or anti-ESG lawsuits. While legal scholars have opined that directors' fiduciary duties may extend to climate and other sustainability-related risks, no such claims appear to have been tested in reported Philippine litigation to date.

Singapore

Contributing law firm:

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Contact:

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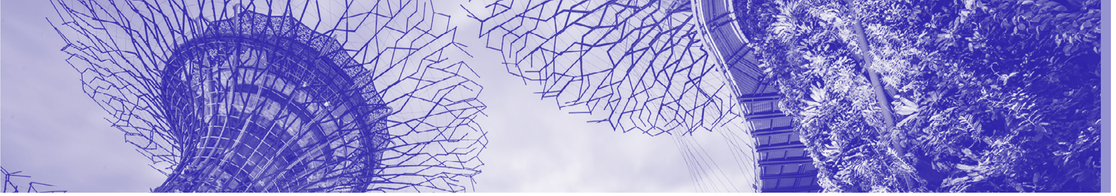
Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Singapore.

ESG in APAC – Singapore
By Allen & Gledhill LLP

Year in review
(1 July 2025 to 30 June 2026)

- Phased implementation of mandatory climate-related disclosures (**CRD**) aligned with the ISSB Standards has commenced. Listed companies that are constituents of the Straits Times Index (**STI**) must make ISSB-based CRD from FY2025 and report on Scope 3 GHG emissions from FY2026. All listed companies must report on Scope 1 and Scope 2 GHG emissions from FY2025.
- The timeline for full implementation of ISSB-based CRD was extended for non-STI constituent listed companies (deferred from FY2025 to FY2028 and FY2030 depending on market capitalisation) and large non-listed companies (deferred from FY2027 to FY2030).
- Carbon tax has been raised from S$25 to S$45 per tonne in 2026.
- Singapore's financial regulator issued transition planning guidelines, setting out its supervisory expectations for financial institutions to assess and manage the climate-related risks they and their portfolios face and to avoid indiscriminate withdrawal of financial coverage when managing such risks.
- Greenwashing risks remain a key priority.



A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   Mandatory ESG disclosure requirements apply to listed companies, large non-listed companies (**NLCos**), funds with an ESG focus, and financial institutions in Singapore:

   ### Issuers listed on the Singapore Exchange (SGX)

   Listing Rule 711A requires every issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in Listing Rule 711B on a 'comply or explain' basis. The primary components are (i) material environmental, social and governance factors; (ii) climate-related disclosures (**CRD**); (iii) policies, practices, and performance in relation to material ESG factors; (iv) targets; (v) sustainability reporting framework; and (vi) a board statement and associated governance structure for sustainability practices. These are to be disclosed on a mandatory basis from FY2026.[1]

   Additionally, effective from FY2026, an issuer must issue a sustainability report for its financial year at the same time as the issuance of its annual report, or where the issuer has conducted external assurance on the sustainability report, no later than five months after the end of the financial year. Issuers are also required to set a board diversity policy that addresses gender, skill and experience, as well as other relevant aspects of diversity. Issuers must describe the board diversity policy and details relating to the diversity targets, plans, timelines and progress in their annual reports.[2]

   SGX further recommends a list of 27 Core ESG Metrics for issuers to use as a starting point for sustainability reporting. They include metrics such as GHG emissions, occupational health and safety, age-based diversity, and alignment with frameworks.[3]

   Enhanced CRD apply under a three-tier structure that phases reporting obligations based on market capitalisation:[4]

   (a) For all listed companies, Scope 1 and 2 GHG emissions reporting is mandatory while external limited assurance for Scope 1 and 2 GHG emissions is mandatory by FY2029.

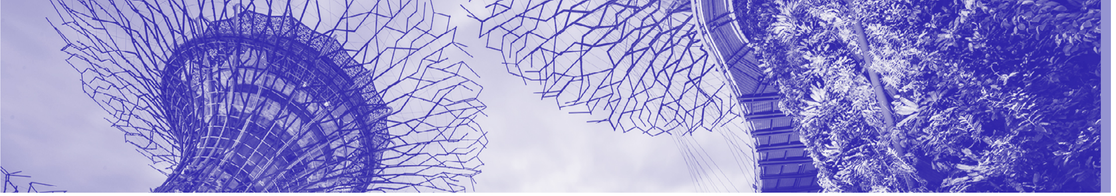
   (b) For listed companies that are constituents of the Straits Times Index (**STI**)[5] , other ISSB-based CRD is mandatory, and Scope 3 GHG emissions reporting is mandatory from FY2026.

   (c) For non-STI constituent listed companies with a market capitalisation of S$1 billion and above, other ISSB-based CRD is mandatory from FY2028 while those with a market capitalisation of less than S$1 billion will follow from FY2030. Scope 3 GHG emissions reporting will be voluntary for non-STI constituent listed companies until further notice.

   ### Large NLCos

   The Accounting and Corporate Regulatory Authority (**ACRA**) will require reporting by NLCos with an annual revenue of at least S$1 billion and total assets of at least S$500 million (**Large**

1 Sustainability Reporting - Singapore Exchange (SGX)
2 Please refer to SGX Listing Rule 710A of the Mainboard Rules and the Catalist Rules, read together with Practice Note 7.6 on the Sustainability Reporting Guide.
3 "Starting with a Common Set of Core ESG Metrics" (SGX, April 2023).
4 "Extended Timelines for Most Climate Reporting Requirements to Support Companies" (SGX RegCo and ACRA, August 2025).
5 The STI is a market capitalisation weighted index that tracks the performance of the top 30 companies listed on SGX.



NLCos) on ISSB-aligned CRD (including Scope 1 and 2 GHG emissions) – this has been deferred to FY2030.[6] Scope 3 GHG emissions reporting remains voluntary until further notice. External limited assurance for Scope 1 and 2 GHG emissions is deferred to FY2032.

ACRA will further review whether to mandate climate reporting by smaller NLCos limited by shares with annual revenue of at least S$100 million to less than S$1 billion.

Retail funds with ESG investment focus

Under Circular No. CFC 02/2022 (**Circular**) issued by the Monetary Authority of Singapore (**MAS**) in 2022, disclosure and reporting guidelines apply to companies offering retail ESG funds that are lodged with MAS on or after 1 January 2023. It also sets out MAS's expectations on how existing requirements under the Code on Collective Investment Schemes (**CIS Code**) and the Securities and Futures (Offers of Investments) (Collective Investment Schemes) Regulations 2005 (**SF(CIS)R**) apply to retail ESG funds.

Under the Circular, a scheme whose name includes or uses ESG-related or similar terms such as "sustainable" or "green" should reflect such an ESG focus in its investment portfolio and/or strategy in a sustainable manner and comply with the guidelines in the Circular.

Financial institutions (FIs)

The Guidelines on Environmental Risk Management by MAS (**ENRM Guidelines**), published in 2020, recommend that FIs make regular and meaningful disclosure of their environmental risks and refer to international reporting frameworks so as to enhance market discipline by investors. FIs are to implement the ENRM Guidelines in a manner commensurate with the size and nature of its activities as well as its risk profile.

The ENRM Guidelines also set out MAS's supervisory expectations for FIs, including banks, insurers and asset managers, in their governance, risk management and disclosure of environmental risk. Boards and senior management of FIs are expected to incorporate environmental considerations into their strategies, business plans, and product offerings, and maintain effective oversight of the management of environmental risk. FIs should also put in place policies and processes to assess, monitor, and manage environmental risk.

An addendum to the ENRM Guidelines, the Guidelines on Environmental Risk Management – Transition Planning (**TPG**), was published in 2026 – see section B.3 below for more detail.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

CRD and sustainability reporting for SGX-listed issuers

Please refer to the responses in section A.2 above. Scope 1 and 2 GHG emissions reporting is mandatory for all listed companies. For STI constituents, other ISSB-related CRD reporting is mandatory and Scope 3 GHG emissions reporting is mandatory from FY2026 onwards as ACRA and Singapore Exchange Regulation (**SGX RegCo**) noted that STI constituent companies demonstrated a higher degree of readiness and capabilities for ISSB-aligned climate disclosures. Other ISSB-related CRD are mandatory from FY2028 for non-STI constituent listed companies whose market capitalisation is at least S$1 billion and from FY2030 for companies whose market capitalisation is less than S$1 billion.

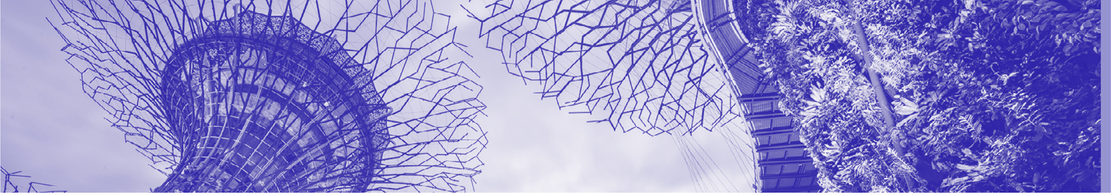
Other primary components of a sustainability report are also mandatory as of FY2026.

SGX's Core ESG Metrics serve as guidance for listed issuers to use as a starting point for reporting.

CRD for Large NLCos

Large NLCos are required to report ISSB-aligned CRD, excluding Scope 3 GHG emissions, from FY2030.

6 "Extended Timelines for Most Climate Reporting Requirements to Support Companies" (SGX Group, 25 August 2025)



Retail ESG funds

Disclosures under the SF(CIS)R, read together with the Circular, are mandatory for a fund that represents itself as ESG-focused and includes ESG or green-related terms in its name. While the CIS Code is a non-binding code, in the event of non-compliance, MAS may revoke or suspend the fund's authorisation under sections 286 and 287 of the Securities and Futures Act 2001.

Financial institutions

The ENRM Guidelines and TPG addendum set out MAS's supervisory expectations for banks, insurers and asset managers to strengthen their governance, risk management, and disclosure of environmental risk, as well as build effective risk assessment and risk management capabilities for resilience against climate-related risks. They are illustrative rather than prescriptive, with the intention to encourage FIs to adopt best practices as part of their low-carbon transition. How well an FI observes the guidelines and assesses, monitors, mitigates and discloses its risk exposures will contribute to MAS's overall risk assessment of the FI.

Sector-specific entities

On a sector-specific basis, there are mandatory disclosure requirements prescribed by laws such as the Energy Conservation Act 2012 and the Resource Sustainability Act 2019 that mandate disclosures relating to energy consumption, GHG emissions, e-waste, and packaging waste for companies that meet the prescribed thresholds.

4. Which aspects of ESG do the requirements focus upon?

The requirements are primarily focused on climate and the environment, but the requirements by SGX for disclosures by listed issuers and MAS's requirements on retail ESG funds also include other ESG factors.

5. Are the disclosure requirements based on international standards? If so, which one(s)?

SGX Listing Rules

SGX-listed issuers (please see timelines in section A.2 above) are required to report CRD in accordance with all applicable requirements of IFRS S2, including any reliefs provided by the standards. Issuers are also required to apply the climate-relevant provisions in IFRS S1. The same approach will apply to Large NLCos (please also see timelines in section A.2 above).

Each metric from SGX's Core ESG Metrics is mapped against globally accepted reporting frameworks such as the GRI Standards, SASB Standards, TCFD Recommendations and World Economic Forum's metrics.

MAS Circular

While the Circular does not mandate adherence to a specific global standard like the ISSB Standards or the TCFD, it recognises equivalent standards such as the EU Sustainable Finance Disclosure Regulation. The Circular is also aligned in principle with the global standards that are aimed at enhancing transparency and preventing greenwashing.

ENRM Guidelines

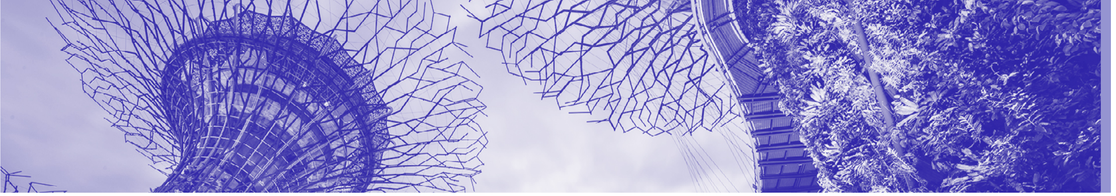
The ENRM Guidelines are aligned with international standards, particularly the TCFD framework.

6. How do the disclosure requirements approach materiality (e.g. single or double materiality)?

CRD for SGX-listed issuers and Large NLCos

In line with the ISSB Standards, the requirements adopt a single materiality approach whereby the materiality of information is judged in relation to whether omitting, misstating or obscuring the information could reasonably be expected to influence decisions of primary users of general purpose financial reports. However, issuers are likely to adopt a double materiality approach in practice, as SGX requires, as part of the Material ESG factors primary components, the sustainability report to consider relevance or impact to key stakeholders' needs.[7]

7 See Practice Note 7.6 on the Sustainability Reporting Guide.



ENRM Guidelines

The ENRM Guidelines require FIs to disclose based on a single materiality approach and focus on how environmental risks affect the financial performance and resilience of FIs

7. Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

Scope 1 and 2 GHG emissions

Scope 1 and 2 GHG emissions reporting is mandatory for all listed companies. The required measurement methodology is in line with IFRS S2.

Scope 3 GHG emissions

Scope 3 GHG emissions reporting is mandatory for STI constituent listed companies from FY2026. This requirement is currently voluntary until further notice for non-STI constituent listed companies and large NLCos.

MAS Circular

MAS does not require ESG funds to disclose GHG emissions.

ENRM Guidelines

The disclosures of FIs should be aligned with the TCFD framework, which includes GHG emissions as a core metric. FIs are encouraged to disclose Scope 1 and 2, and where appropriate, Scope 3 emissions.

8. Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?

There are currently no external or third-party assurance requirements for ESG reporting in Singapore. However, there are internal review requirements by SGX for issuers.

The requirement to conduct external limited assurance on Scope 1 and 2 GHG emissions will be phased-in as follows:

(a) from FY2029 for all listed companies; and

(b) from FY2032 for large NLCos.

However, SGX does not propose to mandate external assurance until details on assurance standards and registration criteria for climate auditors are finalised.

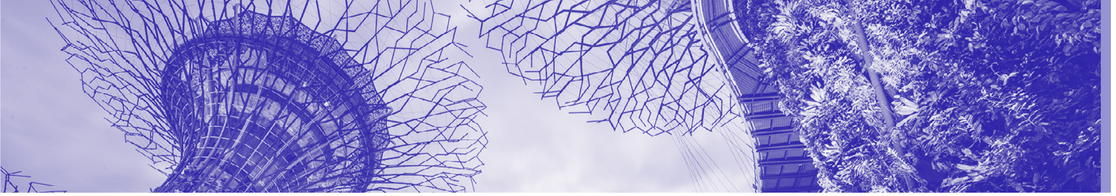
There is no mandatory requirement for external or third-party assurance of ESG disclosures under the MAS Circular or in the ENRM Guidelines and TPG.

9. For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?

In general, voluntary ESG disclosures by non-publicly listed companies are still in a nascent stage in Singapore.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

In 2023, the Green Finance Industry Taskforce, convened by MAS, published the Singapore-Asia Taxonomy for Sustainable Finance (**SAT**), which sets out clear, science-based thresholds and criteria across eight sectors for defining green and transition activities in Asia that substantially contribute to climate change mitigation. The SAT is not mandatory and is particularly relevant for sectors facing challenges in reducing emissions and meeting a 1.5 degree aligned outcome due to technological constraints. It has introduced a "traffic light system" to classify the degree of environmental damage that certain activities pose, as well as a "measures-based approach" that seeks to encourage capital investments into decarbonisation measures or processes to reduce emissions intensity of activities. The SAT is aligned with the ASEAN Taxonomy for Sustainable Finance Version 4 launched in 2025.



The Multi-Jurisdiction Common Ground Taxonomy (**M-CGT**), a comparison of the sustainable finance taxonomies of China, the EU and Singapore, was launched in 2024.[8] This initiative enhances the interoperability of taxonomies across China, the EU and Singapore. The M-CGT serves as a technical reference document for a wide range of market participants including financial institutions, corporates, investors and external reviewers. It allows them to assess what could be considered green across the three jurisdictions in scope, based on the activities, environmental objectives, and criteria covered in the M-CGT. While the M-CGT is not legally binding, green bonds and funds that align with the M-CGT criteria can be considered by cross-border investors.

In March 2025, MAS published an information note setting out how market participants can use the SAT as a reference tool to achieve their green and transition financing objectives and in developing internal decarbonisation strategies.[9] The SAT's transition thresholds and criteria have been adapted to reflect local or regional contexts by considering local regulations and market standards, technology availability and level of deployment, as well as existing production processes.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Yes, the climate-related disclosures in IFRS S1 and IFRS S2 have been incorporated into the SGX Listing Rules on a full-alignment basis. Please see response in sections A.2 and A.3 above on the phased approach.

The use of ISSB Standards beyond climate-related disclosures is encouraged but not mandated. SGX proposes to review the application of the ISSB Standards for disclosure of sustainability-related information beyond climate-related disclosures (e.g. biodiversity, human capital, etc.) a few years later.

There has not been any specific TNFD-related updates or guidance from SGX RegCo.

MAS intends to consult on mandatory disclosure requirements by FIs based on both IFRS S1 and IFRS S2 standards.

12. Other upcoming developments / direction of travel

Nature-related risks and unlocking financing opportunities

The Singapore Sustainable Finance Association (**SSFA**) released a white paper titled "Financing Our Natural Capital" to help FIs in Singapore and the region address nature-related risks and opportunities. Through the SSFA, MAS continues to support the financial sector in building capacity to address nature-related risks and unlock financing opportunities.[10]

Project Greenprint and Project Savannah

MAS is actively working with regulators and organisations such as the Association of Banks in Singapore, ACRA and Enterprise Singapore to standardise and streamline sustainability data to support relevant stakeholders in the industry in mobilising capital to sustainable projects, monitoring commitments and measuring impact.[11] MAS announced an initiative named Project Savannah on 22 June 2023 to generate ESG data credentials for micro, small and medium-sized enterprises (**SMEs**), and simplify the ESG reporting process. It launched ESGpedia in March 2025 as the Project Greenprint ESG Registry in Singapore with the goal of providing a one-stop platform for ESG data.

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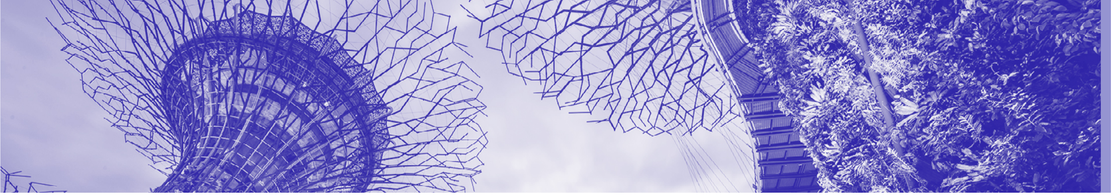
8 "The International Platform on Sustainable Finance presents the Multi-Jurisdiction Common Ground Taxonomy to enhance interoperability of taxonomies across EU, China and Singapore" (MAS, 14 November 2024).

9 "Green Finance Industry Taskforce: Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN" consultation paper.

10 "Keeping the Ingredients for a Resilient System in Balance" (MAS, 7 May 2025).

11 See "Green FinTech" by the MAS.



Taxonomies

The SSFA is driving several initiatives to promote the application of the SAT. It has also released "Guidance for Leveraging the SAT in Green and Transition Financing" to help industries raise transition financing with greater confidence.[12]

Workforce Transformation

In 2024, MAS, together with the Institute of Banking and Finance, launched the Sustainable Finance Jobs Transformation Map (**JTM**). The JTM lays out the impact of sustainability trends on jobs in the financial sector, and identifies the skills required for growing sustainable finance in the region. The Enterprise Sustainability Programme by Enterprise Singapore also supports SMEs to build their sustainability capabilities and provides workshops and a playbook for sustainability reporting for SMEs.[13]

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. Singapore has committed to achieving net zero emissions by 2050 under the Singapore Green Plan 2030 and its Long-term Low Emissions Development Strategy. Singapore has also committed to reduce emissions to between 45 and 50 million tonnes of carbon dioxide equivalent by 2035 after peaking emissions earlier as part of its revised 2035 NDC.[14]

These targets are embedded in national climate policy and strategic frameworks rather than standalone climate legislation. However, sector-specific requirements and measures are implemented through legislation and regulations including measures relating to energy efficiency, carbon pricing and emissions reporting. To facilitate the attainment of these goals, Singapore plans to reduce emissions by:

(a) Transforming industries, the economy and society towards greater energy efficiency, adopting renewable energy, and reducing energy consumption.

(b) Adopting advanced low-carbon technologies and using low-carbon fuels.

(c) Pursuing effective international cooperation, relating to international climate action, regional power grids, and market-based mechanisms.

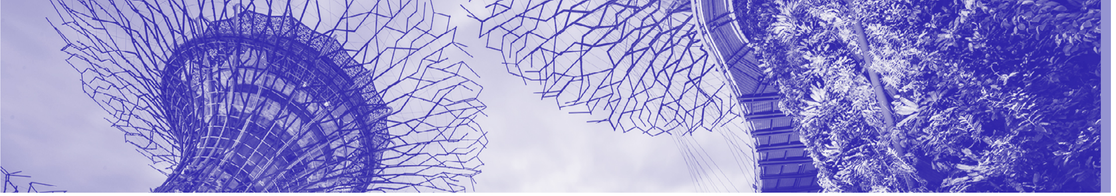
(d) Adopting low-carbon practices such as greener mobility and cleaner vehicles.

Singapore has also adopted sectoral decarbonisation roadmaps and transition strategies, including the Singapore Sustainable Air Hub Blueprint for aviation, the Maritime Singapore Decarbonisation Blueprint for maritime, the Singapore Green Building Masterplan and the Built Environment Decarbonisation Technology Roadmap for the built environment, energy transition strategies for the power sector, as well as the Land Transport Master Plan 2040 and the Zero Waste Masterplan for transport and waste respectively.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Whilst Singapore does not have an ETS, it has a carbon tax which is levied on industrial facilities that directly emit at least 25,000 tonnes of GHG emissions annually. These generally cover the manufacturing, power, waste and water sectors. In 2025, the carbon tax rate is S$25 per tonne and will be raised to S$45 per tonne in 2026 and 2027, with a view of reaching S$50 to S$80

12 "Keynote Address by Mr Gan Kim Yong, Deputy Prime Minister and Minister for Trade and Industry" (25 June 2025).
13 "MTI COS 2023 – Supporting businesses and workers in our journey to a green economy" (Ministry of Trade and Industry, 28 February 2023).
14 "2035 Nationally Determined Contribution (NDC)" (National Climate Change Secretariat, 10 February 2025).



per tonne by 2030. Additionally, eligible taxable facilities can now use high-quality international carbon credits to offset up to 5% of their taxable emissions. Under a Transition Framework, Emissions-intensive Trade Exposed[15] (**EITE**) companies which face significant carbon leakage risk are provided transitory allowances for a portion of their emissions.

Singapore has been engaging like-minded countries in carbon trading on a bilateral basis under Article 6 of the Paris Agreement. This is underpinned by legally binding Implementation Agreements, which will require corresponding adjustments to prevent double counting of emissions reductions across countries and for carbon credit developers to make a monetary contribution equivalent to a 5% share of proceeds towards the host countries' adaptation actions and/or the UNFCCC Adaptation Fund.

As of 2025, Singapore hosts more than 120 firms offering a wide range of carbon-related services, including project origination, verification, trading, and advisory. The National Climate Change Secretariat (**NCCS**) of Singapore is actively exploring opportunities to anchor international sectoral carbon trading schemes, such as the Carbon Offsetting and Reduction Scheme for International Aviation.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

It is currently not mandatory for companies to have a transition plan. However, requirements are being phased in (as outlined in section A.2 above) for SGX-listed companies to make climate-related disclosures based on the ISSB Standards, which includes information related to transition planning.

On 8 September 2023, SGX RegCo affirmed that the disclosure of transition plans by issuers is important to fulfil the growing interest from investors and other stakeholders on how the issuer intends to meet its climate ambitions. SGX RegCo has provided guidance on its expectations for credible climate transition plans. However, this has not been made mandatory.

FIs can voluntarily put in place transition plans, with the MAS having issued the TPG (as mentioned in section A.2(d) above) to support FIs in developing credible and effective transition strategies. While MAS has not set out expectations for FIs to publish a transition plan, it provides guidance to FIs on the internal processes that underpin transition planning, including governance, risk management and client engagement.

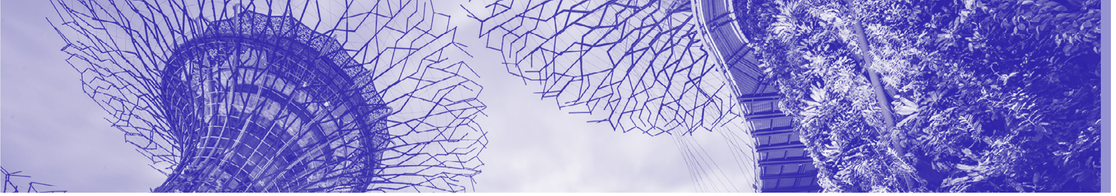
In particular, the TPG elaborates MAS's supervisory expectations for FIs to manage the transition and physical risks they and their portfolios face from climate change. FIs are to assess and manage the risks associated with both physical and transition risks arising from climate change, engage their customers and investee companies to better understand the climate-related risks they face and their management of such risks to avoid the indiscriminate withdrawal of credit, insurance coverage or investments. FIs should also keep pace with the development of knowledge and capabilities relating to the measurement and management of climate-related risks.

The TPG will take effect from September 2027, after an 18-month transition period.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

Please see section B.3 above. There is no mandatory requirement to set climate-related targets. Nevertheless, the ISSB Standards require the disclosure of any targets used by the organisation to manage climate-related risks and opportunities or climate-related targets the organisation is required to meet under relevant laws, and performance against such targets.

15 Examples of EITE sectors include chemicals, electronics and biomedical manufacturing while non-EITE sectors include domestic-oriented sectors like power generation and waste management.



5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   A mandatory EPR scheme is in place for e-waste. A mandatory packaging reporting framework has also been implemented for producers of packaged products, as well as large retailers, laying the foundation for a mandatory EPR regime to manage packaging waste including plastics. This includes the submission of packaging data and reduction plans. A beverage container return scheme, as the first phase of the EPR approach for packaging waste management, has been implemented from April 2026.

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

   Singapore does not currently have economy-wide mandatory corporate sustainability due diligence requirements. Instead, certain sector-specific and disclosure-related requirements are in place that encourage companies to assess and manage sustainability-related risks. For example, listed companies are required to make disclosures on ESG risks as part of sustainability disclosures under the SGX Listing Rules, while FIs are subject to supervisory expectations from MAS on environmental risk management, including the management of environmental risks arising from their activities.

7. **What (if any) policy support has been implemented to promote sustainable finance and investment?**

   The MAS actively promotes the development of sustainable finance and investment in Singapore, with the aim of strengthening Singapore's position as a leading centre for Green and Sustainable Finance in Asia and globally. Key initiatives include:

   ### Taxonomy development

   Please refer to our response in section A.10 above.

   ### Sustainable finance incentives

   To encourage more sustainable bond and loan issuances, and greater investment in green projects, MAS provides grants under the Sustainable Bond Grant Scheme and Green and Sustainability-linked Loan Grant Scheme.

   ### Blended finance initiatives

   MAS has established the Financing Asia's Transition Partnership (FAST-P), which aims to catalyse private capital for sustainable infrastructure and transition projects through partnerships involving public, private and philanthropic capital providers.

   ### Transition finance initiatives

   MAS has also established the Transition Credits Coalition (TRACTION) and issued guidance on credible transition planning for FIs to facilitate financing for emissions-intensive sectors transitioning towards lower-carbon pathways.

   ### International and regional collaborations

   MAS partners with international organisations including the International Finance Corporation (IFC) to support the growth of green bond markets in Asia.

   ### Industry ecosystem development

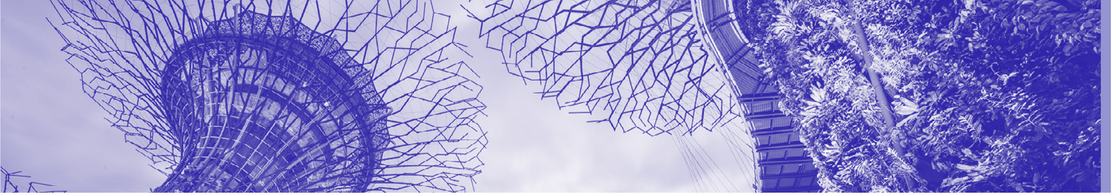
   MAS supports the development of the sustainable finance ecosystem through industry collaboration and capacity-building initiatives, including engagement with industry associations such as the SSFA to strengthen sustainable finance capabilities and promote market development.

   Enterprise Singapore also supported the formation of the Action for a Resilient Climate Coalition in 2026 to aggregate corporate demand for high-integrity carbon credits and channel financing towards projects that generate them.

8. **Other upcoming developments / direction of travel**

   ### Voluntary Carbon Markets

   The NCCS, the Ministry of Trade and Industry, and Enterprise Singapore jointly issued draft guidance on how companies can voluntarily use and purchase voluntary carbon credits as part of a credible decarbonisation plan. The public consultation period for the draft guidance closed on 20 July 2025. The SSFA is also surveying companies for a potential Claims Guidance Code to complement the Singapore Government's guidance and is cooperating with regional carbon market associations under



the ASEAN Common Carbon Framework to support high-quality credit supply and demand signals.

Green Plan 2030[16]

Pursuant to the Singapore Green Plan 2030 and Singapore's long-term low emissions development strategy, the Singapore Government will continue to implement policies to facilitate the reduction of GHG emissions and the transition to net-zero.

One such notable policy is the policy on carbon tax, which will be implemented through a progressive framework as outlined in section B.2 above.

Transition Credits

In September 2023, MAS and McKinsey & Company jointly published a working paper setting out how high-integrity carbon credits (**Transition Credits**) may be utilised as a complementary financing instrument to accelerate and scale the early retirement of coal-fired power plants. MAS has since announced two pilot projects to facilitate the retirement of coal plants.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

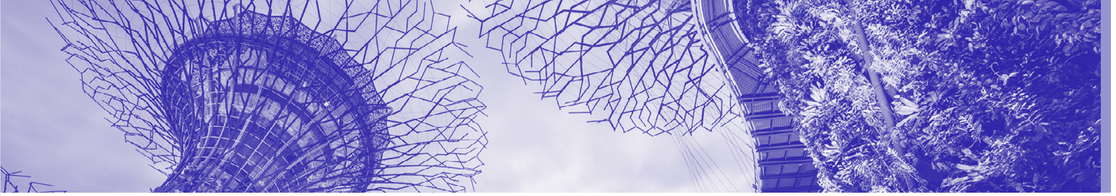
In December 2023, the Advertising Standards Authority of Singapore (**ASAS**) made the nation's first ruling against a company for making misleading environmental claims about a product. The advertisement in question involved an electronics retailer advertising its air-conditioner as a "best tip" to "save Earth", depicting an influencer setting the air-conditioner to 23 degrees Celsius to do so.

ASAS requested that the retailer remove the advertisement as it breached the Singapore Code of Advertising Practice (**SCAP**). The SCAP requires that advertisements not mislead by "inaccuracy, ambiguity, exaggeration or omission", and not to misrepresent any matter likely to influence consumers' attitudes to the product. The retailer maintained that it did not violate said guidelines, but nonetheless complied with the request in furtherance of its "cooperative stance towards ASAS". Although the SCAP guidelines are not legally binding, this ruling signals a move towards greater greenwashing accountability for companies in Singapore.

On 24 February 2026, Market Forces, a climate activist group in Australia, filed a complaint with SGX against a Singapore bank for potential misleading conduct over finance enabling industrial coal power plants in Indonesia. The complaint outlined that the bank's public disclosures may be materially misleading, as it had not provided complete information regarding the true extent of its exposure to companies reliant on industrial coal power plants and the full extent of the climate-related transition plan posed by this exposure. This is the second complaint by Market Forces following its prior complaint to SGX in 2023 against a power generation company for not fully disclosing risks related to its US$300 million bond issue on SGX in 2022. Neither of these complaints filed with the SGX has thus far resulted in any formal public response or enforcement action from the regulators.

The Competition and Consumer Commission of Singapore (**CCS**) has published a Guide on Quality-related Claims to provide clarity to businesses when making claims on the qualities, uses or benefits associated with their products of business that could amount to unfair practices under the Consumer Protection (Fair Trading) Act 2003 (**CPFTA**), including environmental-related claims.

16 "Charting Singapore's Low-carbon and Climate Resilient Future" (National Climate Change Secretariat, Strategy Group, Prime Minister's Office).



2. Are there any laws or regulations specifically dealing with greenwashing?

There is no specific law that is aimed at greenwashing in Singapore, but there are various laws and regulations that can be applied to address greenwashing:

Misrepresentation

Companies engaged in greenwashing may be liable for fraudulent or negligent misrepresentation and be liable for damages under section 2(1) of the Misrepresentation Act 1967 should civil proceedings be commenced against them.

Consumer protection

Greenwashing in respect of consumer transactions can contravene section 4 of the CPFTA as an "unfair practice". Consumers have the right to obtain redress against the company for engaging in an unfair practice through the Consumers Association of Singapore (**CASE**) and may be able to claim damages for losses due to the greenwashing or obtain an injunction from the court to restrain the business from continuing to engage in the said unfair practice.

Securities laws and regulations

Amongst other provisions, section 199 of the Securities and Futures Act 2001 provides that persons must not make statements that are false or misleading and that are likely to induce other persons to subscribe for, induce the sale or purchase of, or have the effect of raising, lowering, maintaining or stabilising the market price of securities without care as to the truth of the statement, or with actual or constructive knowledge that the statements are false or misleading.

Directors' duties

Greenwashing can expose directors to a breach of directors' duties under common law or the Companies Act 1967. Under section 157 of the Companies Act 1967, directors are under a duty to act honestly and use reasonable diligence in the discharge of their duties, which may be breached if the company is found to have engaged in greenwashing and in breach of relevant laws.

Advertising standards

The abovementioned SCAP requires all advertisements to be legal, decent, honest, and truthful. Although this is not legally enforceable, it may be used by ASAS against unsubstantiated environmental product claims.

CCS has also issued non-binding advice to suppliers to:

(a) be specific in their environmental claims and to present any qualifying or supporting information accurately and clearly alongside such claims;

(b) avoid making claims that would imply or convey an overall impression that the environmental benefit of the product is more than it is; and

(c) ensure that all environmental claims can be substantiated with valid and credible evidence.

CCS and CASE have developed a set of tips to raise awareness among consumers of greenwashing and other false environmental claims when buying products.

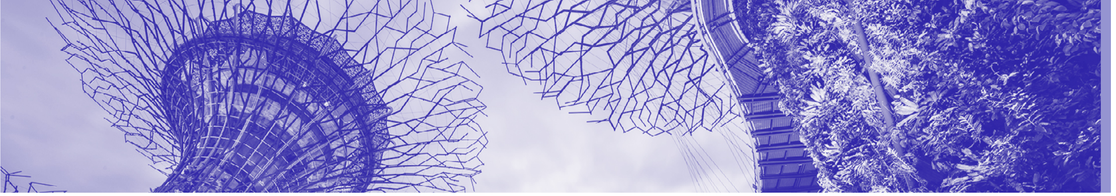
Separately, MAS published an information paper on Good Disclosure Practices for Retail ESG Funds on 4 December 2024 and updated it on 10 June 2026.

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Please see the response in section C.2 above.

There are also risks of regulatory enforcement pursuant to, for example, codes or guidance issued by financial regulators on the marketing of financial products and SGX Rulebooks.

Separately, CCS has released a Guidance Note on Business Collaborations Pursuing Environmental Sustainability Objectives which clarifies that certain agreements pursuing collaboration on environmental sustainability objectives may be found to be anti-competitive and hence prohibited under the Competition Act 2004, such as those involving market-sharing or imposing output limitations. CCS has adopted a streamlined two-phase approach to assess and identify such agreements.



4. Other upcoming developments / direction of travel

The risk of greenwashing litigation against companies (in particular, listed companies) is expected to grow as reporting requirements become more robust and various stakeholders become more proactive in combatting potential greenwashing, including through litigation. Beyond greenwashing considerations, Singapore's regulatory approach is moving towards greater corporate accountability for sustainability-related governance and risk management, with increasing scrutiny on the credibility of sustainability strategies, targets and disclosures.

South Korea

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of South Korea.

ESG in APAC – South Korea
By Shin & Kim LLC

Year in review
(1 July 2025 to 30 June 2026)

- Korea continues to advance its ESG and climate policy framework through the institutionalisation of sustainability disclosures, an expanded and updated green taxonomy, the finalisation of its 2035 NDC and increased regulatory scrutiny on greenwashing.
- The KSSB Disclosure Standards (based on the ISSB Standards) were finalised in February 2026. The government announced the finalised roadmap for the institutionalisation of sustainability disclosures in July 2026. Under the roadmap, mandatory climate-related disclosures aligned with the KSSB Disclosure Standards will begin in 2028 (for FY2027), starting with KOSPI-listed companies with total consolidated assets of KRW 10 trillion or more, and will be expanded to KOSPI-listed companies with total consolidated assets of KRW 5 trillion or more in 2029.
- Korea's green taxonomy has been expanded and updated, with the list of eligible green economic activities increased from 84 to 100 and the technical criteria expanded to focus on GHG mitigation and climate change adaptation.
- Korea finalised its 2035 NDCs in November 2025, targeting a 53-61% reduction in net GHG emissions by 2035 compared to 2018 levels.
- Greenwashing remains a regulatory focus, with the expansion of greenwashing-specific regulation and available enforcement measures.

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Sustainability reporting by companies is currently voluntary. However, in response to the evolving global ESG disclosure environment, mandatory sustainability reporting requirements are expected to be phased in for larger listed companies. The Korea Sustainability Standards Board (**KSSB**) finalised sustainability disclosure standards (**KSSB Disclosure Standards**) based on the ISSB Standards in February 2026. On 8 July 2026, the government announced the final plan for the institutionalisation of mandatory sustainability disclosures based on the KSSB Disclosure Standards from 2028.

Separately, corporate governance reports, which cover 10 core principles of corporate governance, were first introduced as a voluntary disclosure regime in 2017 and have since been expanded in phases. From 2026, all companies listed on the main board of the Korea Exchange (**KOSPI**) are required to issue corporate governance reports.

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

There is a voluntary disclosure regulation on the publication of sustainability reports by companies listed in Korea. Under Article 8, Paragraph 7(e) of the Enforcement Rules of KOSPI Market Disclosure Regulation of the Korea Exchange (**KRX**), sustainability reports are included as voluntary disclosure items. Accordingly, listed companies are currently publishing sustainability reports voluntarily. In 2021, KRX released the "ESG Disclosure Guidelines" to encourage companies to voluntarily disclose ESG information.

As noted above, the government announced the final roadmap for the phased introduction of mandatory sustainability disclosure based on the KSSB Disclosure Standards, starting from 2028 for larger KOSPI-listed companies.

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

The corporate governance report mentioned above adopts a comply-or-explain approach. Other than this, there are currently no ESG-related disclosure requirements that apply on a mandatory or comply-or-explain basis.

However, as mentioned above, KSSB-based sustainability disclosure is expected to be phased in as mandatory disclosure from 2028.

4. Which aspects of ESG do the requirements focus upon?

The voluntary "ESG Disclosure Guidelines" released by KRX require disclosure of environmental, social and governance aspects.

The finalised KSSB Disclosure Standards consist of two parts:

(a) No. 1 (General Requirements for Sustainability-related Financial Information Disclosures); and

(b) No. 2 (Climate-related Disclosures).

Specifically, Standard No. 1 sets out the conceptual foundation and general requirements applicable to sustainability-related financial information disclosures, while Standard No. 2 sets out disclosure requirements for climate-related risks and opportunities. Under Standard No. 1, companies are expected to disclose sustainability-related risks and opportunities that could reasonably be expected to affect their prospects. Standard No. 2 further specifies the disclosure requirements for climate-related risks and opportunities, using the four core elements of governance, strategy, risk management, and metrics and targets. The final roadmap announced by the government adopts a climate-first approach, whereby the mandatory regime will commence with climate-related disclosures, with other sustainability topics remaining voluntary (with no timeline yet announced for when they may become mandatory).

5. Are the disclosure requirements based on international standards? If so, which one(s)?

The voluntary "ESG Disclosure Guidelines" published by KRX summarise and provide companies with key ESG factors based on GRI Standards.

The finalised KSSB Disclosure Standards are substantially based on IFRS S1 and IFRS S2, with modifications (such as extended transition relief for Scope 3 reporting) to reflect the circumstances of domestic companies. The KSSB has stated that it established these disclosure standards to provide sustainability-related financial information useful to investors,

taking into consideration international harmonisation and acceptability for companies.

IFRS S2 does not apply directly in Korea. However, the KSSB incorporated the IFRS S2 December 2025 Amendments into KSSB Disclosure Standard No. 2. These include amendments allowing Scope 3 Category 15 GHG emissions to be limited to financed emissions, easing the requirement to use GICS for financed emissions disclosures, and permitting the use of other measurement methods or global warming potential values where required by a jurisdictional authority. These changes are intended to reduce practical burdens on companies and improve the acceptability of the domestic standards.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

The finalised KSSB Disclosure Standards are based on the ISSB Standards and therefore adopt a single materiality approach, requiring disclosure of information that is material to investors.

The definition of "material information" in the KSSB Disclosure Standards is consistent with the definition in K-IFRS, the accounting standards aligned with IFRS by the Korea Accounting Standards Board. Accordingly, the KSSB Disclosure Standards state that information is material if omitting, misstating or obscuring such information could reasonably be expected to influence decisions that primary users of reports make on the basis of those reports.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

Given that sustainability reporting is currently voluntary, disclosure of GHG emissions is not mandatory.

In accordance with Article 16-8 of the Environmental Technology and Industry Support Act, listed companies with total assets of KRW 2 trillion or more on a consolidated basis, among others, are required to register and submit environmental information through the Environmental Information Disclosure System.

The system categorises disclosures into mandatory and voluntary topics, with disclosure of GHG emissions (Scope 1, Scope 2 and Scope 3 emissions) being voluntary. However, under the finalised roadmap, the KSSB Disclosure Standards will be phased in from 2028 and covered companies will be required to disclose Scope 1 and Scope 2 GHG emissions. Disclosure of Scope 3 GHG emissions is expected to be subject to a three-year grace period and apply from 2031 for companies with total consolidated assets of KRW 10 trillion or more.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

There are no national laws or regulations that directly require third-party verification or assurance of the content of ESG disclosures; however, most companies voluntarily obtain third-party assurance at their own expense.

Under the government's roadmap on the institutionalisation of sustainability disclosures, mandatory assurance will commence in 2030, two years after the commencement of the mandatory sustainability disclosure regime, with a detailed framework to be developed.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

Yes, many companies voluntarily disclose their ESG information using various international reporting frameworks and standards (such as the GRI Standards, SASB Standards and TCFD Recommendations), and the number of companies publishing sustainability reports has increased significantly. According to the KRX ESG portal, 131 companies had published sustainability reports in 2022, and this number increased to 225 in 2025.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

In April 2021, the Ministry of Environment established the Korean Green Taxonomy under the Environmental Technology and Environmental Industry Support Act. In December 2021, the Ministry released the "Korean Green Taxonomy (**K-Taxonomy**) Guideline", which outlines principles and criteria for categorising green economic activities within the K-Taxonomy framework. Whilst this guideline is not legally binding, it sets out the standards for identifying green economic activities that contribute to six environmental objectives, including climate change mitigation, climate change adaptation and broader

environmental improvement, and is currently applied to various financial instruments, including green bonds and green lending.

The guideline was revised in December 2022, adding nuclear power and climate change adaptation-related economic activities to the list of green economic activities, and a detailed K-Taxonomy explanation document was released.

In December 2025, the K-Taxonomy was further revised, with the revised taxonomy applying from 1 January 2026. The list of eligible green economic activities was expanded from 84 to 100, with key changes focused on GHG mitigation and climate change adaptation. Major updates include the further segmentation of renewable energy generation by source, such as solar and wind power, and the introduction of new industrial decarbonisation activities, including emissions-reduction activities for semiconductor and display manufacturing processes.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

As mentioned above, the finalised KSSB Disclosure Standards are based on IFRS S1 and IFRS S2. The KSSB Disclosure Standards focus on interoperability with the ISSB framework, adopting consistent disclosure elements such as governance, strategy, risk management, and metrics and targets. General Requirements (No. 1) and Climate-related Disclosures (No. 2), which correspond to IFRS S1 and IFRS S2 respectively, form the first set of finalised KSSB Disclosure Standards. The proposed Additional Disclosures (No. 101) included in the exposure draft was not adopted.

Regarding the scope and timeline, in July 2026, the Financial Services Commission announced the final plan for the institutionalisation of the sustainability disclosure regime. Under the final plan, mandatory sustainability disclosure based on the KSSB Disclosure Standards will begin from 2028 (FY2027), starting with KOSPI-listed companies with total consolidated assets of KRW 10 trillion or more, and will be expanded to KOSPI-listed companies with total consolidated assets of KRW 5 trillion or more from 2029. A further expansion to KOSPI-listed companies with total consolidated assets of KRW 2 trillion or more from 2030 will be considered after assessing the implementation of the regime in 2028 and 2029. To ease the disclosure burden on companies, disclosure of Scope 3 GHG emissions will be subject to a three-year grace period for each category of covered companies, first applying from 2031 for companies with total consolidated assets of KRW 10 trillion or more.

12. Other upcoming developments / direction of travel

The reorganisation of the Environmental Information Disclosure System has been discussed in Korea but has not yet resulted in final reforms.

Taking into account changes in the global regulatory environment and domestic companies' readiness to comply, the pace of institutionalisation appears to have been generally calibrated. Until the phased introduction of mandatory KSSB-based sustainability disclosure from 2028, the government is expected to focus more on monitoring companies' readiness and improving disclosure infrastructure than on introducing substantial new legal obligations.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. Korea has adopted a statutory 2030 GHG reduction target to reduce its GHG emissions by 40% by 2030 (compared to levels in 2018), under the Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis and its Enforcement Decree.

On 11 November 2025, the Korean government finalised its 2035 NDC, targeting a 53-61% reduction in net GHG emissions by 2035 compared to 2018 levels, and submitted it to the UNFCCC.

Since the new government took office in June 2025, it has adopted "responding to the climate crisis and achieving a sustainable energy transition" as a standalone policy agenda. Key policy directions include phasing out coal-fired power generation by 2040, accelerating an energy transition centred on renewable energy, and supporting industrial decarbonisation, including hydrogen-based steelmaking.

A sectoral roadmap reflecting the 2035 NDC is expected to be further developed through the process of preparing the Second National Basic Plan for Carbon Neutrality and Green Growth (2026-2045).

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   In May 2012, the Emissions Trading Act was enacted, and in January 2015, the KRX launched the emissions trading market (**K-ETS**). Based on the Emissions Trading Act, the K-ETS is a mandatory compliance market applicable to "business entities eligible for allocation".

   In short, the K-ETS applies to companies across a broad range of sectors whose average annual GHG emissions during the preceding three years are not less than 125,000 tCO_2e, or that have at least one place of business with average annual GHG emissions of not less than 25,000 tCO_2e during the preceding three years.

   As of June 2026, the fourth allocation period (2026-2030) is underway. Under the fourth national allocation plan finalised in November 2025, 772 entities have been designated as entities eligible for allocation. From the fourth allocation period, the paid allocation ratio for the power generation sector will increase in phases from 15% in 2026 to 50% in 2030, which is expected to increase the effective carbon cost borne by covered companies.

   In addition to the mandatory compliance market under the K-ETS, Korea also has voluntary carbon market initiatives. In April 2026, the government launched the "Korean Voluntary Carbon Market Alliance", with the Korea Chamber of Commerce and Industry acting as the secretariat, and announced plans to pursue legislation on voluntary carbon markets and to establish a carbon credit exchange within the KRX by the end of the year.

   Korea currently has no carbon tax imposed directly by reference to emission levels.

   As the EU's CBAM entered its definitive period in January 2026, Korean companies exporting covered products, including iron and steel, aluminium, cement, fertilisers, electricity and hydrogen, to the EU may face carbon-cost implications through the CBAM certificate purchase obligations imposed on EU importers. In response, the Korean government has been operating inter-ministerial support measures and briefings to assist companies affected by CBAM.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

   It is currently not mandatory for companies to develop, implement or disclose a climate-related transition plan.

   The finalised KSSB Disclosure Standards do not require companies to develop or implement a transition plan. However, under KSSB Disclosure Standard No. 2 (Climate-related Disclosures), where a company has a climate-related transition plan, it is required to disclose information about that plan, including key assumptions and dependencies on which the plan relies.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

   Korea currently has no mandatory requirements for companies to set or meet climate-related targets. However, under KSSB Disclosure Standard No. 2 (Climate-related Disclosures), where a company has set climate-related targets voluntarily, or is required to meet climate-related targets under applicable laws or regulations, it is required to disclose those targets, including GHG emissions targets. The required disclosures include the metric used to set the target, the objective of the target, the part of the company to which the target applies, the period over which the target applies, milestones and any interim targets.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

   Korea has two main mandatory requirements relating to the circular economy.

   First, EPR schemes have been implemented pursuant to the Act on the Promotion of Saving and Recycling of Resources. Manufacturers and importers of certain products and packaging materials are required to recycle at least a specified percentage of the volume released to the market. If they fail to meet the required recycling obligations, they must pay recycling charges in proportion to the shortfall. The main covered items include packaging materials, such as paper packs, metal cans, glass bottles and synthetic resin packaging, as well as batteries, tyres and lubricants. In addition, following amendments to the

Enforcement Decree of the Act on Resources Circulation of Electrical and Electronic Equipment and Vehicles, effective from 1 January 2026, the scope of covered products has been expanded to all electrical and electronic products.

Second, the Act on Promotion of Transition to Circular Economy and Society covers the entire lifecycle of designated products[1], including product design, production and disposal. Waste disposal charges are imposed where recyclable waste is incinerated or landfilled.

As regards eco-design, there are currently no mandatory eco-design requirements in Korea. However, in response to the EU Ecodesign for Sustainable Products Regulation, the Korean government is pursuing the introduction of a Korean-style eco-design regime. In April 2026, the Ministry of Climate, Energy and Environment launched an eco-design forum and commenced legislative preparations, selecting five priority areas for review: textiles and apparel, tyres, electrical and electronic products, steel and aluminium, and green transition infrastructure.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Korea currently does not have mandatory value-chain due diligence requirements equivalent to the EU's CSDDD.

However, legislation is currently being pursued. In June 2025, the Bill on the Protection of Human Rights and the Environment for Sustainable Management of Companies was introduced to the National Assembly, and as of June 2026, it remains under committee review. The bill would apply to companies with 500 or more employees or annual revenue of KRW 200 billion or more, and would require covered companies to identify and assess human rights and environmental risks across their supply chains, establish response measures and make related disclosures. However, a bill with a similar purpose was previously discarded upon the expiration of the term of the preceding National Assembly. It therefore remains unclear if the bill will be enacted.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

The K-Taxonomy provides criteria for defining economic activities that contribute to six environmental objectives, including GHG mitigation, as green or transition activities. As of June 2026, a total of 100 economic activities is classified under the K-Taxonomy, which is used as a reference for determining eligibility for green bond issuance and policy finance.

In February 2026, the Financial Services Commission announced measures to promote climate finance, formalising a plan to provide a total of KRW 790 trillion in climate finance over the ten-year period from 2026 to 2035.

Policy financial institutions, including the Korea Development Bank, the Industrial Bank of Korea and the Export-Import Bank of Korea, will act as key providers of such finance, with more than 70% of the total support targeted at SMEs and mid-sized companies. In addition, five major commercial banks are expected to set their own carbon-neutrality targets by 2030 and participate in the expansion of climate finance.

Korea also plans to introduce Korean-style transition finance to support hard-to-abate sectors that may find it difficult to fully satisfy the K-Taxonomy requirements. Under this framework, companies that establish and comply with sector-specific carbon-reduction roadmaps may receive financial support, including loans, guarantees and investments. Sectoral carbon reduction implementation roadmaps are expected to be prepared by relevant government ministries, including the Ministry of Climate, Energy and Environment and the Ministry of Trade, Industry and Energy, together with the Financial Services Commission.

Blended finance initiatives are also being implemented to mobilise private capital. The Future Energy Fund, a KRW 9 trillion fund jointly financed by the banking sector, will support investment in renewable energy facilities. In addition, the Climate Technology Fund, a KRW 3 trillion fund financed by the five major commercial banks and the Industrial Bank of Korea, is expected to support climate-tech companies through 2030.

1 According to the Enforcement Decree of the Act on Promotion of Transition to Circular Economy and Society, the designated products include: (i) products and packaging subject to Korea's EPR scheme (e.g. packaging materials, batteries, tyres, lubricants and fluorescent lamps); (ii) automobiles subject to hazardous substance restrictions; and (iii) electrical and electronic products subject to mandatory take-back and recycling requirements.

8. Other upcoming developments / direction of travel

Korea is currently in the process of gradually developing and refining sector-specific frameworks in areas such as climate disclosure, transition finance, the circular economy and corporate due diligence. Although there is not yet a single integrated legal framework covering these areas, the Lee Jae-myung administration has previously proposed an ESG Framework Act as a policy pledge, and legislation to integrate Korea's currently fragmented ESG-related regimes may be pursued in the future.

C. Greenwashing

1. Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?

(a) According to the Korea Environmental Industry & Technology Institute (**KEITI**), during the 2025 National Assembly audit, 13,122 cases of unfair environmental labelling and advertising were detected over a recent five-year period. A significant number of these cases were identified through monitoring of online distribution channels. The most common types of violations involved false or exaggerated environmental claims, such as claiming that products were "eco-friendly" without objective evidence of environmental improvement, or claiming that products were "low-carbon" or "eco-friendly" merely because they used recycled materials. According to the reported enforcement statistics, the detected cases have primarily resulted in administrative guidance, with a smaller number resulting in corrective measures.

(b) In April 2025, the Korea Fair Trade Commission (**KFTC**) issued warnings against several major fashion brands including Zara, 8Seconds, Spao, Musinsa Standard and Topten for greenwashing. These companies were found to have used terms such as "eco," "sustainable," and "eco-friendly materials" to advertise products like synthetic leather that lack environmental benefits, potentially misleading consumers. However, the KFTC decided not to impose fines, taking into account the companies' voluntary corrective actions, such as removing the misleading claims.

(c) In April 2025, POSCO and POSCO Holdings received a corrective order from the KFTC for advertising unverified products as "eco-friendly". The KFTC concluded that such advertising could mislead consumers into believing that the products in question are environmentally friendly, and that the associated brands may be mistaken as offering products with enhanced environmental benefits.

(d) In March 2024, Climate Solutions filed a complaint against eight companies (SK Corporation, SK Siltron, SKC, SK i-Technology, SK Telecom, SK hynix, POSCO, and POSCO Holdings) for violations of the Labelling and Advertising Act and the Environmental Technology Industry Act. The complaint alleges that these companies falsely advertised that by paying the Green Premium, a system that verifies the use of renewable energy by charging an additional fee on top of the electricity bill, they had reduced GHG emissions. Climate Solutions claims that the Green Premium does not actually reduce GHG emissions and that advertising it as such is misleading. The complaint was submitted to the KFTC and the KEITI with no publicly available decision or enforcement outcome thus far.

(e) In February 2023, the Ministry of Environment issued administrative guidance against SK Enmove's advertisement of carbon-neutral lubricants. SK Enmove had launched engine oils and advertised them as carbon-neutral because they were made by purchasing carbon credits from Verra, a U.S. carbon credit certifier. However, the advertisements were criticised as greenwashing, as carbon credits alone cannot permanently eliminate carbon from petroleum products. In response, the Ministry of Environment issued an advance notice of corrective order in December 2022. However, given that the advertisement and product sales had already been suspended, it was ultimately merely administrative guidance, which is not enforceable and merely serves as a recommendation to be careful about the use of related terms in the future. The KFTC decided not to prosecute.

(f) In March 2022, the KFTC decided not to prosecute SK E&S for an advertisement that claimed to "usher in the era of eco-friendly LNG" after an environmental organisation filed a complaint. The KFTC ruled that the advertisement was not false or exaggerated because it was about future plans.

2. Are there any laws or regulations specifically dealing with greenwashing?

The Act on Fair Labelling and Advertising restricts unfair labels and advertisements in general, and the "Guidelines for Examination of Environmentally Related Labels and Advertisements" stipulate specific examination criteria for unfair labels and advertisements related to the environment, including greenwashing.

In addition, through amendments to the Enforcement Rule of the Environmental Technology and Industry Support Act, which took effect on 1 October 2025, the scope of greenwashing regulation and available enforcement measures have been expanded. The amended rules impose obligations on online commerce intermediaries to directly delete or modify content found to involve unfair environmental labelling or advertising.

The amendments also provide a legal basis for the Minister of Climate, Energy and Environment to disclose information on violating businesses and intermediaries that fail to take required measures. In addition, new provisions allow the cancellation of environmental label certification where a certified business violates environmental-related laws and regulations.

The "Guidelines for Labelling and Advertising of Eco-friendly Business Activities" provide examples of greenwashing.

3. What are the likely grounds on which such proceedings, actions or investigations can be instigated?

Relevant grounds include:

(a) breaches of the "Guidelines for Labelling and Advertising of Eco-friendly Business Activities" – e.g. by providing false or exaggerated information about the environmental performance of a product or a firm's disclosures;

(b) breaches of the Act on Fair Labelling and Advertising and the Guidelines for Examination of Environmentally Related Labels and Advertisements – e.g. by providing false or exaggerated information about the environmental performance of a product; and

(c) liability under the Financial Investment Services and Capital Markets Act – e.g. by providing materially false or misleading information in listing documents or other corporate disclosure documents.

4. Other upcoming developments / direction of travel

On 2 June 2026, the Ministry of Climate, Energy and Environment pre-announced a partial amendment to the Notice on the Management System for Environmental Labelling and Advertising. The key focus of the proposed amendment is to systematise the substantiation regime, which is a core procedure for determining whether an environmental claim is supported.

Under the proposed amendment, the procedures and standards for requesting and submitting substantiation materials to support environmental claims are expected to be clarified, including submission procedures, submission deadlines, drafting principles and detailed criteria for each method of substantiation. This indicates regulators remain focused on combatting greenwashing in Korea.

Taiwan

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Taiwan.

ESG in APAC – Taiwan
By Lee and Li, Attorneys-at-Law

Year in review
(1 July 2025 to 30 June 2026)

- The phased introduction of mandatory sustainability reporting aligned with IFRS S1 and IFRS S2 commenced from FY2026 starting with larger listed companies. Relief from mandatory disclosure of Scope 3 GHG emissions has been extended to cover the first three years of reporting.
- Almost NT$5 billion (approx US$154 million) in carbon fees were collected for the first carbon fee cycle based on emissions generated in 2025. There are also plans for a pilot ETS and carbon border adjustment mechanism.
- Taiwan passed circular economy-related bills in June 2026, establishing a new framework for resource circulation. The Ministry of Environment has been authorised to establish green design standards, mandate the reduction, reuse and lifetime extension of designated products, as well as promulgate guidelines on the use of "circular product certificates" to prevent greenwashing.
- To achieve Taiwan's 2050 net zero target, the Executive Yuan has released Taiwan's Comprehensive Carbon Reduction Action Plan, an upgraded strategy building on the 2050 Net Zero Pathway. The plan revamped the 12 key strategies from the 2050 Net Zero Pathway into 20 flagship carbon reduction programmes covering reduction efforts across six major sectors: energy, residential and commercial, agriculture, environment, transportation, and manufacturing. These programmes were also launched to achieve a 28% national interim GHG emissions reduction target, plus or minus 2%, by 2030. This target represents the third NDC proposed by the Ministry of Environment in December 2024, under the mandate of Climate Change Response Act, which the Executive Yuan subsequently approved in February 2026.
- Although there are currently no mandatory supply-chain due diligence obligations in Taiwan, this is a potential area to monitor with a draft programme being formulated on human rights due diligence.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   ### Regulated GHG emitters

   The Climate Change Response Act (**CCRA**) provides that businesses designated by the Ministry of Environment (**MOENV**) are required to report their GHG emissions each year by submitting relevant data to the registry of the MOENV, and the data submitted must be verified by a certified verification institute. The designated businesses are specified in a list of Businesses Subject to Accounting and Registration of Greenhouse Gases Emission Sources (**List of Regulated GHG Emission Sources**).

   In March 2025, the MOENV updated the List of Regulated GHG Emission Sources, expanding its scope to include additional industries such as the IT service industry, retail businesses, hotels, and hospitals that meet their respective reporting thresholds.

   All businesses specified in the List of Regulated GHG Emission Sources that meet the relevant threshold (i.e., 25k tonnes of GHG emissions) are subject to GHG accounting, reporting, and verification requirements, save that the newly added industries noted above are not required to undergo verification of their GHG accounting results.

   Under the Regulations for Management of Inventory and Registration of Greenhouse Gases, the regulated businesses are required to submit a GHG emissions accounting report by 30 April of each year and the verification of the GHG accounting results by 31 October of each year. Certain reporting requirements were added on 19 December 2025 to better accommodate the nature of the newly included industries. The reported data is publicly accessible on the MOENV's Platform on GHG Emission Amount.

   ### Listed companies and financial institutions

   The Taiwan Stock Exchange's (**TWSE**) Corporation Rules Governing the Preparation and Filing of Sustainability Reports by Listed Companies and the Taipei Exchange's (**TPEx**) Rules Governing the Preparation and Filing of Sustainability Reports by Listed Companies require all listed companies to submit ESG reports (including GHG emissions data) on an annual basis (by 31 August of each year starting from 2025) subject to a verification and certification process.

   Listed companies and financial institutions are also required to disclose their climate-related information in their annual reports.

   The Financial Supervisory Commission (**FSC**) promulgated the Guidelines of Climate-Related Financial Disclosure for Domestic Banking Institutions and the Guidelines of Climate-Related Financial Disclosure for Insurance Institutions which require domestic financial institutions to disclose their climate-related financial risks every year from June 2023.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   The disclosure requirements mentioned in section A.2 above are mandatory. Failure to submit the ESG reports would trigger an administrative fine ranging from NT$10,000 to NT$30,000.

4. **Which aspects of ESG do the requirements focus upon?**

   Businesses subject to the List of Regulated GHG Emission Sources are required to report their GHG emissions.

   Listed companies are required to specify in their ESG reports various sustainability-related indicators based on the FSC's requirements by industry and must also indicate the response measures and their progress in respect of the risks and opportunities as a result of climate change (such as the short-, medium- and long-term operational and strategic plans of the company, the financial impact of the climate change on the company, and GHG emissions data). The reporting generally covers all the commonly seen ESG elements.

   The requirements for listed companies are being enhanced in phases through mandatory sustainability reporting requirements aligned with IFRS S1 and IFRS S2 – starting with mandatory climate reporting. See section A.5 below.

5. **Are the disclosure requirements based on international standards? If so, which one(s)?**

   The mandatory ESG reporting requirements in Taiwan incorporate the GRI Standards, TCFD Recommendations and SASB Standards. However, requirements for listed companies are transitioning towards the ISSB Standards.

   The FSC announced in October 2025 that, beginning in fiscal year 2026, TWSE and TPEx-listed companies are required to adopt the ISSB Standards in three phases, based on paid-in capital. Listed companies are required to include, as a standalone chapter in their annual report, sustainability reporting fully aligned with both IFRS S1 and IFRS S2 from fiscal year:

   (a) 2026 for listed companies with a paid-in capital of NT$10 billion or more;

   (b) 2027 for listed companies with a paid-in capital of at least NT$5 billion but no more than NT$10 billion; and

   (c) 2028 for all other listed companies.

   Transitional provisions available under the ISSB Standards will apply in the first year of reporting; for example, companies may initially disclose only climate-related information and are not required to present comparative information for prior periods. The FSC has extended the relief from mandatory Scope 3 GHG emissions disclosure by two additional years to cover the first three reporting years.

   Additionally, based on the FSC's announcement in April 2026, companies may elect to apply the IFRS S2 December 2025 Amendments from 1 January 2026. For the companies that elect to do so, they must disclose their early adoption of the amendments.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

   The reporting requirements for listed companies' sustainability reports and the FSC guidelines applicable to banks and insurance institutions adopt a single materiality approach.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

   ### Regulated GHG emitters

   Entities subject to the List of Regulated GHG Emission Sources are required to disclose Scope 1 and Scope 2 emissions, whereas disclosure of Scope 3 emissions is encouraged but not mandatory.

   The accepted measurement methodologies are specified under the Regulations for Management of Inventory and Registration of Greenhouse Gases and include emission factor method, mass balance method, direct measurement, and any other measurement methods approved by the MOENV.

   ### Listed companies

   Listed companies are subject to mandatory Scope 1 and Scope 2 disclosure under a phased approach beginning from fiscal year 2024 based on market capitalisation and industry sector.

   Regarding Scope 3, the FSC has stated that since companies and their value chains are not yet familiar with this concept, and because the GHG Protocol, which is fundamental to Scope 3, is currently under revision, companies will not be mandated to conduct Scope 3 reporting for the first three years. For first-phase companies aligning in 2026, this means they are required to disclose Scope 3 emissions for fiscal year 2029 onwards. In line with IFRS S2, the GHG Protocol applies as the measurement methodology except for emission sources already regulated by the MOENV.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   The reporting of sustainability indicators and Scope 1 and Scope 2 emissions in ESG reports submitted by listed companies must be assured by certified institutions. The MOENV has indicated that, to preserve flexibility in compliance, it does not currently plan to mandate independent assurance for Scope 3 emissions reporting.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

   No. However, the integration of ESG and other non-financial considerations into corporate strategies has been gradually gaining momentum in Taiwan due to growing focus from investors and other stakeholders.

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

Yes. In December 2022, various regulators jointly promulgated the Taiwan Taxonomy Guidelines for Sustainable Activities that include 29 types of regular economic activities (e.g. transportation and logistics) and 14 types of enabling economic activities (e.g. CCUS technologies). The taxonomy was further amended in December 2024.

It is not a mandatory requirement, but financial institutions are encouraged to refer to the Taxonomy Guidelines when making investments and issuing financial instruments labelled as "sustainable".

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

The ISSB Standards are being implemented under a phased approach as outlined in section A.5 above.

Despite high market adoption, there are currently no proposals for the TNFD to become a mandatory reporting framework in Taiwan.

12. Other upcoming developments / direction of travel

With the legal framework of ESG reporting now in place, it is expected that the regulators will focus on implementation and strengthen the enforcement of listed companies' mandatory ESG reporting.

In response to the global trend towards simplifying reporting requirements and reducing reporting burden, the MOENV and FSC are expected to work together to streamline reporting obligations by harmonising GHG inventory regulations and jointly establishing Scope 3 carbon emissions factors. This approach aims to eliminate redundant tasks while balancing improved disclosure accuracy with enhanced efficiency.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes, Taiwan's "2050 Net Zero Pathway" was announced in March 2022 under which the government vowed to reach net-zero emissions by 2050 through four main strategies in the areas of: energy, industry, lifestyle, and social transition. The CCRA codifies this commitment to decarbonisation and sets out net-zero emissions as Taiwan's long-term goal to be attained by 2050.

The Executive Yuan has since announced an upgraded plan, Taiwan's Comprehensive Carbon Reduction Action Plan, which introduces 20 flagship carbon reduction programmes across six major sectors: energy, residential and commercial, agriculture, environment, transportation, and manufacturing.

As part of this plan, the government intends to devote new resources to geothermal and hydropower to diversify and maximise renewable energy sources. The MOEA has since released the Regulations for Demonstration Incentives of Geothermal Power Generation, and Regulations for Demonstration Incentives of Small Hydropower Generation in February 2026 and June 2026 respectively to encourage investments in these two sectors.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Carbon market

There is currently no mandatory carbon trading market in Taiwan. However, Taiwan is set to launch a pilot programme for its national Emissions Trading Scheme (T-ETS) in the second half of 2026, marking a major milestone in its climate strategy following the implementation of carbon fees in 2025. Partnering with the "Green Growth Alliance" - a group of roughly 20 major emitters managing 126 factories and representing about 80% of the regulated emissions - the pilot is expected to implement a mock trading platform to test a cap-and-trade mechanism. This trial serves to prepare industries for the official, legally binding ETS rollout targeted for 2028.

To facilitate a voluntary carbon exchange scheme, the MOENV announced the Regulations on Carbon Credit Trading, Auction,

and Transfer, which took effect on 15 August 2024.

Pursuant to the CCRA, it is also expected that a trading market for voluntary reduction quotas will be established soon. According to the CCRA, businesses may propose voluntary reduction projects to implement GHG reduction measures, and apply to the MOENV for approval to obtain emission credits (**GHG Credits**), which should be used in accordance with the requirements and time period set by the MOENV. The MOENV promulgated on 12 October 2023 the Greenhouse Gas Voluntary Emission Reduction Projects Regulations (for the implementation of the scheme on GHG Credits) and the Regulations for the Management of Offsetting the Increased Greenhouse Gas Emissions (for the implementation of the GHG offset scheme described above).

Carbon fee

A carbon fee scheme was introduced in 2025 and applies to electricity and manufacturing businesses that emit over 25k tonnes of Scope 1 and Scope 2 GHG emissions per year.

The regime was established pursuant to the: (a) Regulations Governing the Collection of Carbon Fees; (b) Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees; and (c) Regulations for Administration of Self-Determined Reduction Plan, which were promulgated by the MOENV on 29 August 2024. Businesses are encouraged to voluntarily develop GHG emission reduction plans and set GHG reduction targets for 2030 based on standards promulgated by MOENV so as to qualify for a reduced carbon fee rate for meeting GHG reduction targets.

For its first carbon fee cycle, the MOENV has collected around NT$5 billion of carbon fees based on emissions generated in 2025. The collected fees will be used to implement GHG reduction and climate change adaptation work in accordance with the CCRA.

CBAM

In July 2025, MOENV announced plans to develop a CBAM to prevent carbon leakage. Taiwan's CBAM is planned to initially target the steel and cement industries for carbon emission trial reporting. However, no concrete legislative timeline has been issued since the announcement.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

There are no mandatory requirements for corporate transition plans and/or their disclosure. However, listed companies subject to IFRS S2-aligned climate reporting obligations are required to disclose aspects of any transition plans they may have.

Regulated businesses subject to carbon fees are not required to set climate targets or have a transition plan in place. However, the relevant regulations encourage such businesses to voluntarily develop GHG emission reduction plans and set GHG reduction targets for 2030 based on the standards promulgated by the MOENV so as to qualify for a reduced carbon fee rate for meeting GHG reduction targets.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

Companies are not generally required to disclose, set or meet climate-related targets.

However, listed companies subject to IFRS S2-aligned climate reporting obligations are required to disclose details of any climate-related targets they have set or are required to meet.

In addition, to reduce the impact of climate change caused by new or changed "GHG Sources" (i.e. businesses on the List of Regulated GHG Emission Sources), under the CCRA, businesses with new or changed GHG Sources that reach a certain scale are required to carry out incremental GHG offsets by a certain percentage through voluntary reduction quota (including purchase thereof), obtaining certain reduction benefits (such as replacement of automobiles with EVs) or implementing the GHG reduction measures set forth under Article 29 of the CCRA. For the implementation of the GHG offset scheme, the MOENV promulgated the Regulations for the Management of Offsetting the Increased Greenhouse Gas Emissions on 12 October 2023. See section B.2 above for details.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

Under the Waste Disposal Act (**WDA**), a mandatory extended producer responsibility scheme is in place for manufacturers and importers of certain categories of products and packaging.

They are required to pay a recycling and disposal fee primarily based on business / import volume. An amendment to the WDA was passed in the Legislative Yuan on 16 Jun 2026 to extend the scheme to renewable energy power generation equipment manufacturers, importers, and installers.

In addition, the Resource Circulation Promotion Act (**RCPA**) authorises the MOENV to (a) establish green design standards for products and construction projects. The standards may include the compulsory usage of materials that are easily decomposable and durable, and incorporation of a certain proportion of recyclable materials; and (b) promulgate regulations regarding the issuance and restrictions on the use of a "circular product certificate" to prevent greenwashing.

As at the date of this publication, the amendments to the WDA have not yet formally taken effect, and the MOENV has not released any plans regarding the promulgation of ancillary regulations under the RCPA to operationalise the resource circulation measures.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Taiwan has yet to formally enact legislation similar to the EU's CSDDD. The closest initiative is the draft Programme for Enterprises to Respect Human Rights in the Supply Chains (**HR Programme**) (previously known as the Guidelines on Business to Respect Human Rights) released by the Ministry of Economic Affairs (**MOEA**). The programme is intended to be implemented alongside an update to Taiwan's National Action Plan on Business and Human Rights. The HR Programme will recommend mechanisms for human rights due diligence and remediation by businesses, both within their operations and supply chains, as well as the reporting of these efforts' outcomes.

The MOEA has since embarked on an advocacy tour in October 2025 to inform the private sector about the government's plan and to gather their feedback on the draft HR Programme. According to the plan, the MOEA will adopt a phased approach, initially requiring listed companies in the manufacturing sector with a paid-in capital of NT$50 billion or more to conduct due diligence based on the HR Programme and disclose the results in their sustainability reports.

At present, the MOEA has not yet finalised the HR Programme. That said, the FSC has announced that human rights due diligence will be one of the social factors evaluated in their annual ESG assessment of listed companies.

Additionally, Taiwan's industries, which often act as a core pillar to the global supply chain, have recently come under increased scrutiny for their production methods, particularly concerning labour conditions. The Ministry of Labor has since issued the Guidelines for Enterprises to Prevent Forced Labor on 13 February 2026. The guidelines (though not of mandatory force) provide core indicators and frameworks for preventing forced labour, as well as practical tools regarding legal compliance for companies to assist them in navigating through the international trade restrictions and operational risks.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

In addition to the Taiwan Taxonomy Guidelines for Sustainable Activities mentioned in section A.10, under Taiwan's Comprehensive Carbon Reduction Action Plan, the government plans not only to increase green spending but also to channel private sector capital into green and sustainable businesses.

One initiative is the MOENV's implementation plan for strengthening investment in green growth and net-zero industries through the creation of a green growth fund aimed at boosting investment in net-zero, sustainable and emerging industries. The National Development Fund operating under the Executive Yuan initially injected NT$10 billion to the fund, while simultaneously seeking to attract private capital for joint investment. The first group of private investors included investment companies, private equity funds and asset management firms, and the government has just completed its third round of the selection process.

The carbon fee mechanism mentioned in section B.2 further supports this cause. Based on the MOENV's announcement on 3 June 2026, this year the MOENV has collected around NT$5 billion of carbon fees from the regulated businesses, which will be used to implement greenhouse gas reduction and climate change adaptation work in accordance with the CCRA.

Government spending will also prioritise the procurement of low-carbon materials for infrastructure projects.

Other initiatives aimed at guiding private sector investment include the Trillian Dollar Investment National Development Plan, the National Credit Guarantee Mechanism, the ESCO Performance Credit Guarantee, and various tax credit programmes under the Industrial Innovation Act. Additionally, financing policies and programs related to green loans and green bonds, along with efforts to encourage investment in the green energy industry by life insurers, collectively seek to increase green investment and financing to over NT$5 trillion.

8. **Other upcoming developments / direction of travel**

As mentioned in section B.6, the government is currently updating Taiwan's National Action Plan on Business and Human Rights, which will include the release of the HR Programme. Although the final version of the HR Programme is still under review, it is anticipated that the ESG framework in Taiwan will primarily focus on labour rights in the near future, with a particular focus on the rights of immigrant workers.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

Taiwan has yet to initiate any legal proceedings, regulatory actions, or investigations directly related to greenwashing. However, recent small-scale enforcement actions may indicate the government's future focus on this issue. In both cases, the Fair Trade Commission fined the violators for misleading or deceptive claims - one for stating that its ESG conference was supported by the MOENV and the MOEA, and the other for claiming that its product was the only one in the store to receive a government subsidy for energy efficiency.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

No, but greenwashing conduct is likely to be subject to the regulatory and penalty regimes under the Securities and Exchange Act, the Fair Trade Act, and/or the Civil Code.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

The possible grounds may include securities fraud, false statement, false advertising, and/or tort liabilities.

4. **Other upcoming developments / direction of travel**

The MOENV has announced plans to introduce anti-greenwashing guidelines for businesses using sustainability awards and labels by the end of 2026. The guideline aims to regulate the use of such information in advertising, reports, and product sales, based on three key principles: truthfulness, proportionality in scope, and the prohibition of ambiguity. Following its introduction, the greenwashing prevention regime is expected to shift towards the implementation of stricter regulations, aiming to protect consumers and investors from being misled.

Given that a more comprehensive ESG disclosure regime has been established, it can be expected that regulatory or legal scrutiny of the accuracy of ESG disclosures may increase. However, based on public sources, there have been no related lawsuits or government enforcement as yet.

Thailand

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition, and greenwashing in respect of Thailand.

ESG in APAC – Thailand
By Chandler MHM

Year in review
(1 July 2025 to 30 June 2026)

- Thailand's ESG regulatory landscape has continued to evolve, reflecting the country's commitment to aligning with international sustainability standards and enhancing corporate transparency and accountability.
- Advancement of sustainability reporting standards - Thailand progressed from its ISSB implementation roadmap to concrete regulatory action, with the SEC introducing amendments to require sustainability-related financial disclosures aligned with IFRS S1 and IFRS S2. The requirements (starting with climate-related disclosures) will be phased in from 2027 for larger listed entities before being progressively extended to other listed entities.
- Approval in principle of the Draft Climate Change Act - The Cabinet approved the Draft Climate Change Act in principle, marking a significant milestone in the development of Thailand's climate governance framework. Once enacted, the legislation is expected to establish the legal foundation for a mandatory GHG reporting regime, a national GHG registry, an ETS, a CBAM and other measures to support Thailand's decarbonisation objectives.
- Emerging mandatory due diligence and circular economy requirements – Policymakers continued discussions on a proposed legal framework for mandatory human rights and environmental due diligence, signalling Thailand's intention to strengthen responsible business conduct and align with evolving international supply chain expectations. Thailand is also developing a law on packaging – if enacted, it would introduce the country's first comprehensive EPR regime, reinforcing Thailand's transition towards sustainable resource management.

A. ESG reporting

1. **Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?**

   Yes.

2. **What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?**

   Listed companies and Sustainable and Responsible Investing funds (**SRI Funds**) are required to make ESG-related disclosures.

   The Securities and Exchange Commission (**SEC**) has issued the following guidelines:

   (a) reporting guidelines which include the disclosure of ESG aspects (**SEC Reporting Guide**) to be reported annually (in Form 56-1 (One Report)) by Thai listed companies; and

   (b) disclosure guidelines for asset managers of SRI Funds as a measure to prevent greenwashing. The disclosure requirements apply to mutual funds which invest in sustainable and responsible projects in accordance with international standards, such as the UN Global Compact, the UN Sustainable Development Goals (**SDGs**), the TCFD, and the International Capital Market Association's Green Bond Principles.

3. **Are the requirements mandatory or do they apply on a comply-or-explain basis?**

   Pursuant to the SEC Reporting Guide, environmental aspects are on a "comply-or-explain" basis. If a listed company does not disclose its GHG emissions, the company must clarify its reasoning for not making this disclosure. Further, in the event a listed company may be in material breach of environmental laws, it must clarify the relevant facts, reasons, impacts and measures taken to remedy the breach.

   Thailand is, however, transitioning towards a mandatory sustainability disclosure regime for listed entities. The SEC has introduced amendments to align the country's sustainability reporting framework with IFRS S1 and IFRS S2, under which sustainability-related financial disclosures will become mandatory on a phased basis, with implementation determined according to the size and category of listed companies.

   The disclosure guidelines for SRI Funds contain mandatory disclosures in relation to ESG.

4. **Which aspects of ESG do the requirements focus upon?**

   Under the SEC Reporting Guide, environmental, social and governance aspects are covered for listed companies. As Thailand transitions towards the IFRS S1 and IFRS S2 sustainability disclosure framework, the initial phase of mandatory reporting focuses on climate-related financial disclosures. These include climate-related disclosures relating to governance, strategy, risk management, metrics and targets, as well as Scope 1 and Scope 2 GHG emissions, with additional sustainability-related disclosures to be introduced in subsequent phases.

   The disclosure guidelines for SRI Funds focus on disclosure of investment objectives, goals that the fund aims to achieve, and types and characteristics of securities that the fund focuses on investing in, which prioritise globally recognised sustainability and ESG aspects such as climate change, environmental protection, low carbon footprint or reducing inequality. During the reporting period, the SEC enhanced the regulatory framework applicable to SRI Funds by introducing more comprehensive disclosure requirements, standardised SRI fund labels and enhanced supervisory measures.

5. **Are the disclosure requirements based on international standards? If so, which one(s)?**

   According to the SEC Reporting Guide, listed companies are encouraged (but not required under the current framework) to align with international standards. For social aspects, companies are encouraged to implement international standards in their internal policies, such as the UN Guiding Principles on Business and Human Rights, or the OECD Guidelines for Multinational Enterprises. Listed companies may also disclose their social and environmental aspects based on the guidelines provided by the GRI Standards.

   Following a public consultation, the SEC has resolved to align Thailand's sustainability disclosure framework with both IFRS

S1 and IFRS S2. The new framework will be implemented on a phased basis, beginning with a climate-first approach.

The disclosure guidelines for SRI Funds are based on IOSCO's Recommendations for Sustainability-Related Practices, Policies, Procedures and Disclosures in Asset Management (Final Report).

Under a policy introduced by the Bank of Thailand (**BOT**) on the business operations of financial institutions in consideration of environmental perspectives and climate change (**BOT Policy**), financial institutions are encouraged to disclose their sustainability activities in accordance with acceptable or international standards, such as the TCFD Recommendations or ISSB Standards. Please see section A.12 below for more detail.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

The disclosure requirements under the SEC Reporting Guide adhere to a double materiality approach, while the disclosure guidelines for SRI Funds focus on impact materiality.

The upcoming sustainability disclosure regime for listed entities adopts a single materiality approach in line with the ISSB Standards.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

Yes. The SEC Reporting Guide requires disclosure of direct and indirect GHG emissions with a measurement standard that is internationally recognised (e.g., ISO 14064-1:2018). At present, the disclosure requirements only apply to Scope 1 and Scope 2 GHG emissions.

As part of Thailand's transition to an ISSB-aligned sustainability disclosure regime, the SEC has adopted a phased implementation of IFRS S1 and IFRS S2. The initial phase focuses on climate-related disclosures, including Scope 1 and Scope 2 GHG emissions, and applies first to larger listed companies before being progressively extended to other listed companies. The framework also provides transition reliefs, including a climate-first approach and the deferral of mandatory Scope 3 GHG emissions disclosures during the initial implementation period.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

There are currently no mandatory assurance requirements.

However, Thailand is moving towards the introduction of mandatory assurance requirements as part of the SEC's implementation of an ISSB-aligned sustainability disclosure framework. Mandatory assurance requirements will apply to listed entities according to the phased implementation timeline outlined in section A.11 below. The SEC has indicated that assurance providers may include verifiers registered with the Thailand Greenhouse Gas Management Organization or other providers applying internationally accepted assurance standards. This requirement is designed to enhance the reliability and comparability of GHG-related data, aligning Thailand's ESG disclosure practices with international best practices and the ISSB Standards.

9. **For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?**

Listed companies may voluntarily publish sustainability reports or climate-related disclosures based on internationally recognised frameworks, including the UN SDGs, the GRI Standards, IFRS S1 and IFRS S2 and the TCFD Recommendations. Such voluntary reporting is commonly adopted by large companies to meet investor, lender and stakeholder expectations and to demonstrate alignment with international ESG best practices. However, the SEC will be phasing in mandatory ESG reporting requirements for listed entities as noted in section A.11 below.

In recent years, there has been an increasing trend in ESG disclosures by private companies, which acknowledge the importance of being transparent and accountable with respect to their ESG impacts and standards.

10. **Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?**

Thailand Taxonomy, Phase 1 and Thailand Taxonomy, Phase 2 (together, the **Thailand Taxonomy**) were officially announced on 30 June 2023 and 27 May 2025, respectively. While Phase

1 focused primarily on the energy and transportation sectors, Phase 2 significantly expanded the taxonomy's scope to include agriculture, manufacturing, real estate and construction, and waste management sectors.

The Thailand Taxonomy serves as a voluntary reference framework and is not currently mandatory. It is intended to provide guidance for financial institutions and businesses in identifying and classifying environmentally sustainable economic activities, in alignment with international standards.

During the current reporting period, the Draft Climate Change Act was approved in principle by the Cabinet. If enacted, the legislation is expected to establish Thailand's overarching climate governance framework, including mechanisms relating to greenhouse gas reporting, a national greenhouse gas registry, emissions trading and other climate-related measures. Although the draft legislation may further support the use of the Thailand Taxonomy within Thailand's sustainable finance ecosystem, the taxonomy itself is expected to remain voluntary unless mandatory implementation measures are introduced under future legislation or subordinate regulations.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

The SEC has decided to apply IFRS S1 and IFRS S2 to listed entities on a full-alignment basis and transition from the current 'comply or explain' model to a mandatory disclosure regime.

The SEC has decided it will phase in the ISSB Standards for companies, REITs, infrastructure trusts, property funds and infrastructure funds listed on The Stock Exchange of Thailand (**SET**) based on the following implementation timeline:

(a) 2027 (reporting in 2028): SET50 companies;

(b) 2028 (reporting in 2029): SET100 companies;

(c) 2029 (reporting in 2030): all SET-listed companies and new IPOs on SET; and

(d) 2030 (reporting in 2031): all mai[1]-listed companies, new IPOs on mai, SET-listed REITs, infrastructure trusts, property funds and infrastructure funds, and new IPOs of such entities.

The timeline has been pushed back by one year compared to the originally proposed timeline in the SEC's initial consultation which concluded on 19 December 2024.

There will be transitional relief measures allowing entities to disclose only climate-related information during the first five years of the reporting requirement and exempting them from disclosing Scope 3 GHG emissions during the same transitional period.

12. Other upcoming developments / direction of travel

The BOT Policy continues to raise the standard of governance, strategy, risk management, and disclosures of financial institutions to be in line with international standards, such as the UN Principles for Responsible Banking, the Equator Principles, the TCFD Recommendations and the ISSB Standards. To support implementation, the BOT has released an industry handbook designed to assist financial institutions in integrating environmental and climate risk considerations into their internal processes.

At present, the BOT has indicated that ESG-related disclosures and risk management will not be made mandatory. Instead, the BOT Policy will continue to serve as a voluntary, principle-based framework designed to guide institutions in their sustainability initiatives.

1 Market for Alternative Investment (**mai**)

The SET has continued to strengthen ESG reporting capabilities through initiatives such as the ESG Data Platform and SET Carbon. The ESG Data Platform provides listed companies with a centralised source of ESG indicators and reporting data, while SET Carbon assists companies, particularly small and medium-sized listed companies, in measuring and calculating their GHG emissions to support sustainability reporting.

B. Transition

1. **Has your jurisdiction adopted national decarbonisation targets and strategies?**

   Yes. Thailand has taken multiple steps towards becoming a carbon-neutral country by 2050 and achieving net-zero GHG emissions by 2065 in accordance with its updated NDCs to the Paris Agreement.

   Energy transition policies have been implemented primarily by Thailand's Ministry of Energy and its departments, as well as the state electricity utilities. Under the current Power Development Plan (**PDP**) and Alternative Energy Development Plan, renewable energy is targeted to increase to 30% of total energy consumption by 2037. However, in light of Thailand's most recent NDCs, it is likely that the mid-term renewable energy projections will need to increase significantly.

   The Ministry of Energy is currently preparing a new Power Development Plan (PDP 2026), which is expected to form part of the new National Energy Plan and provide an updated roadmap for Thailand's energy transition. The new PDP is anticipated to place greater emphasis on renewable energy deployment, electricity market reform, energy storage, transmission infrastructure and other measures necessary to support Thailand's carbon neutrality and net-zero commitments. According to current government plans, the new PDP is expected to be released in September 2026.

2. **Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?**

   There are currently no such mandatory mechanisms in Thailand. However, significant regulatory developments are underway in both areas:

   (a) Ministerial Regulation Prescribing Excise Tax Rates (No. 41) under the Excise Act, B.E. 2560 (2017) - this regulation took effect on 28 March 2025 and introduces a carbon pricing component into the excise tax regime for oil and oil products, setting a carbon price at THB 200 per ton of CO_2 equivalent. The objective is twofold: (i) to increase public awareness of carbon pricing mechanisms, particularly in light of the EU's CBAM and (ii) to serve as a preliminary step towards the implementation of a broader carbon tax system anticipated under the forthcoming climate change legislation (discussed in (b) below).

   (b) Draft climate change bill – following its approval in principle by the Cabinet, the Draft Climate Change Act is expected to establish Thailand's overarching climate governance framework. Once enacted and supplemented by subordinate legislation, it is anticipated to introduce a comprehensive regulatory package that includes a mandatory ETS, CBAM, legal entity-level GHG reporting obligations, a national GHG registry, and other carbon pricing and market mechanisms. There is currently no concrete timeline for its enactment.

   In more detail, the climate change bill aims to provide a legal framework for GHG mitigation and adaptation through:

   (i) a national GHG reduction plan;

   (ii) a national GHG inventory;

   (iii) mandatory reporting obligations for designated state agencies and private entities on the amount of GHG emissions generated from their business operations, facilities, or related activities;

   (iv) a framework for the trading and verification of carbon credits;

   (v) a mandatory ETS - managed by the Department of Climate Change and Environment (Ministry of Natural Resources and Environment), which will issue emission allocation plans and facilitate trading of allowances in accordance with Thailand's securities and exchange regulations applicable to the regulated entities (to be prescribed in a separate ministerial regulation);

   (vi) Carbon Tax System - to impose a tax on industrial manufacturers, producers and importers based on the lifecycle GHG emissions of their goods;

(vii) CBAM - to address carbon leakage and GHG emissions associated with imported goods prescribed by ministerial regulations.

Key details including covered sectors and entities, allocation rules, tax rates, CBAM methodology, registry procedures and penalties, are expected to be set out in subordinate legislation. Businesses in emissions-intensive sectors and importers should therefore monitor the legislative process and begin preparing emissions data systems.

3. **Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?**

It is not mandatory to have a transition plan. However, the SEC Reporting Guide contains a requirement for listed companies to disclose plans (if any) to achieve any environmental targets (including GHG emission targets) and social targets they have set. This disclosure requirement is voluntary.

Under the ISSB-aligned framework developed by the SEC noted in section A.11 above, entities within scope of the phased implementation will be required to disclose information on any climate-related transition plans they have adopted, where such plans are material, including:

(a) strategies to achieve climate-related targets;

(b) implementation timelines and key milestones;

(c) governance and risk management associated with the transition; and

(d) financial impacts and resource allocations.

Furthermore, listed companies may voluntarily align with the Thailand Taxonomy to demonstrate their commitment to sustainability and to access sustainable finance. Therefore, companies may include their transition plans, including the ESG aspects, which align with the Thailand Taxonomy in their annual reports.

4. **Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?**

The SEC Reporting Guide does not require listed companies to set or meet climate-related targets, except that listed companies are recommended to disclose their GHG emission targets.

As mentioned above, the BOT Policy encourages financial institutions to disclose their sustainability efforts in accordance with acceptable or international standards, such as the TCFD or ISSB, with such standards incorporating the disclosure of any climate-related targets set by the reporting entity.

As Thailand implements the phased adoption of the ISSB-aligned disclosure framework, entities within the scope of the phased implementation will be required to disclose climate-related targets and, where applicable, information about any climate-related transition plans they have adopted. Under IFRS S2, companies will be required to disclose:

(a) climate-related targets that they have set or are required to meet, including GHG emissions reduction targets;

(b) timelines and milestones for achieving those targets;

(c) quantitative and qualitative metrics used to measure progress; and

(d) how these targets are embedded into the entity's broader risk management and strategic planning processes.

5. **Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?**

At present, Thailand does not impose any general mandatory circular-economy or eco-design requirements on businesses. Instead, circular economy initiatives are primarily driven through government policy, including the Bio-Circular-Green (BCG) Economy Action Plan and the National Waste Management Action Plan, which promote resource efficiency, waste reduction and recycling on a voluntary and sector-specific basis.

However, a Draft Sustainable Packaging Management Act is under development to introduce mandatory EPR schemes in respect of packaging. The goal is to enact this by 2028. It would introduce Thailand's first comprehensive EPR regime for packaging whereby producers, importers and certain distributors of products using regulated packaging would become

responsible for the collection, reuse, recycling or environmentally sound disposal of post-consumer packaging. The proposed regime is expected to apply to a wide range of packaging materials, including glass, metal, paper, plastic and composite packaging.

In parallel, the government is continuing to develop policy and legislative measures relating to industrial waste and electronic waste

6. **Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?**

Thailand does not currently have an economy-wide corporate sustainability due diligence regime comparable to the EU's CSDDD.

However, a significant development in this area is the Ministry of Justice's ongoing work on the Draft Act on the Promotion of Responsible Business Conduct. Based on publicly available draft proposals, the legislation would initially apply to Thai large enterprises with annual revenue exceeding THB 500 million in the manufacturing sector, or THB 300 million in the wholesale, retail or service sectors and would require them to identify, assess, prevent, mitigate and account for actual and potential adverse human rights and environmental impacts arising from their own operations, subsidiaries and business relationships throughout their value chains. The proposed framework would also require appropriate governance, risk management and public reporting. The draft Act provides for administrative fines of up to THB 5 million for non-compliance with key due diligence obligations, up to THB 1 million for failure to adopt the required policy, and up to THB 500,000 for failure to submit the required report or comply with regulatory orders. The imposition of such administrative penalties would be without prejudice to any civil or criminal liability that may arise under other applicable laws.

The Ministry of Justice issued the first draft of the bill in July 2025. Although the draft legislation remains under development, it signals a clear policy direction towards the introduction of mandatory corporate sustainability due diligence requirements broadly aligned with international standards, including the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises on Responsible Business Conduct.

The draft is currently at the public consultation and policy development stage. The Ministry of Justice continues to consult with stakeholders and refine the draft before it proceeds through the formal legislative process. While it is difficult to predict the legislative timeline, we expect the bill to continue progressing as part of Thailand's efforts to align its legal framework with OECD standards in support of its accession process.

7. **What (if any) policy support has been implemented to promote sustainable finance and investment?**

Thailand has introduced a range of policy initiatives to mobilise capital towards sustainable investment and support the transition to a low-carbon economy. These initiatives combine regulatory reforms, sustainable finance frameworks, investment incentives and public-private partnerships.

Key measures include:

Sustainable finance frameworks

Thailand has developed the Thailand Taxonomy, which is intended to provide a common reference for financial institutions, investors and businesses and to facilitate sustainable financing. In parallel, the SEC has introduced a phased roadmap for mandatory sustainability-related disclosures aligned with IFRS S1 and IFRS S2, while the SET continues to support listed companies through the SET ESG Ratings and the ESG Data Platform, which facilitate ESG reporting and improve the availability and comparability of sustainability data.

Financial incentives

Thailand offers a range of fiscal and non-fiscal incentives to encourage investment in sustainable projects. Through the Board of Investment, eligible projects in priority sectors, including renewable energy, solar power generation, energy efficiency, electric vehicles, battery technologies and other green industries, may qualify for corporate income tax exemptions, import duty exemptions and other investment incentives.

Public-private initiatives

The Thai government continues to promote sustainable finance and the circular economy through collaborative initiatives involving the public and private sectors. For example, the PPP Plastics initiative brings together government agencies, businesses and civil society organisations to support Thailand's

Roadmap on Plastic Waste Management through investment, innovation and capacity-building. Similar partnerships have been established to promote sustainable finance, biodiversity conservation and climate resilience.

These policy initiatives have contributed to continued growth in Thailand's sustainable finance market. By the end of 2025, Thailand had 242 ESG and corporate governance funds with assets under management exceeding THB 93 billion, while companies included in the SET ESG Ratings represented approximately 82% of the SET's total market capitalisation.

8. **Other upcoming developments / direction of travel**

Thailand's ESG regulatory landscape is expected to continue evolving as outlined above, with increasing emphasis on mandatory sustainability reporting regulations, carbon pricing and circular economy measures, sustainability due diligence, transition finance, and alignment with international standards.

Once enacted, the Draft Climate Change Act will represent a significant milestone in establishing the legal framework for mandatory measures to support Thailand's low-carbon transition.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

We are not aware of any such recent legal proceedings, regulatory actions or investigations.

Nevertheless, Thai regulators have continued to strengthen the regulatory framework with a view to preventing greenwashing and improving the credibility of sustainability-related disclosures. During the reporting period, the SEC enhanced the regulatory framework applicable to SRI Funds by introducing more comprehensive disclosure requirements, standardised SRI fund labels and enhanced supervisory measures. The revised framework is intended to improve transparency, promote consistency in sustainability-related disclosures and reduce the risk of greenwashing by ensuring that funds marketed as sustainable accurately reflect their stated investment objectives and strategies.

Although these regulatory developments demonstrate increased scrutiny of sustainability-related claims, they are preventive and supervisory in nature and, to date, do not appear to have been prompted by any publicly reported enforcement action or investigation concerning greenwashing.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

There are currently no specific laws or regulations in Thailand that directly address greenwashing.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

Likely grounds would include:

(a) disclosure liabilities under the SEC's laws and regulations, e.g. providing materially false or misleading information in the annual report or disclosure documents;

(b) breaches of directors' duties; and/or

(c) claims in tort for misrepresentation.

4. **Other upcoming developments / direction of travel**

The adoption of ESG disclosure standards aligned with the ISSB Standards by the SEC is expected to significantly enhance the detection and prevention of greenwashing. By implementing a globally consistent ESG reporting framework, investors and stakeholders will be better equipped to verify and compare ESG information in a reliable and consistent manner across companies. This harmonisation will promote greater transparency, comparability and credibility of ESG reporting, making it more difficult for companies to exaggerate or misrepresent their sustainability performance.

Vietnam

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Please click on the podcast below for a snapshot of the three key themes of ESG reporting, transition and greenwashing in respect of Vietnam.

ESG in APAC – Vietnam
By YKVN

Year in review
(1 July 2025 to 30 June 2026)

- Vietnam established a regulatory framework for its mandatory ETS and voluntary carbon trading market, which commenced the pilot phase of their operations in 2026.
- Under the pilot ETS, GHG emission quotas have so far been allocated to around 110 Specified Establishments in the thermal power, iron and steel, and cement sectors. Specified Establishments must also submit GHG reduction plans. The carbon trading exchange recorded its first GHG emissions quota transactions in June 2026, marking a new milestone in the country's energy transition.
- Vietnam is reviewing its sustainability disclosure regime, with a view to introducing enhancements that may bring its regime more in line with international standards.
- Vietnam issued a green taxonomy for the first time and the period saw an increase in sustainable financing deals (accompanied by independent assurance).

A. ESG reporting

1. Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

Yes. ESG disclosures are governed by legislation applicable to specific regimes, principally environmental laws and corporate governance laws.

2. What are the key legislative and regulatory sources for ESG disclosure requirements and to whom do they apply?

Circular 96 requires that certain companies make public disclosures in respect of the environment and society, including in connection with GHG emissions, resource management, energy consumption, water consumption, compliance with laws on environmental protection, policies related to employees and responsibility to the local community.[1] These disclosures are essentially imposed on public companies (whether listed or not), companies that publicly offer or have corporate bonds listed and securities companies.

Decree 47 requires state-owned enterprises to publicly report on the performance of public interest tasks assigned to them (in terms of a plan or bidding), including the following information:[2]

(a) responsibility for environmental protection;

(b) responsibility to contribute to the social community;

(c) responsibility to suppliers;

(d) responsibility to ensure the interests and safety of consumers; and

(e) responsibility to ensure benefits of employees in the enterprise.

Decree 08 requires companies that issue green bonds to make annual public disclosures on the assessment results of environmental benefits of projects that use capital raised from the issuance of green bonds.[3]

3. Are the requirements mandatory or do they apply on a comply-or-explain basis?

Circular 96, Decree 08 and Decree 47 mentioned above are all mandatory.

4. Which aspects of ESG do the requirements focus upon?

Circular 96 has a general focus on corporate governance, with specific categories skewed more towards environmental aspects. Decree 47 has a significant focus on social responsibility, whilst Decree 08 focuses on environmental aspects (i.e., the green projects funded by the green bonds).

5. Are the disclosure requirements based on international standards? If so, which one(s)?

Although the State Securities Commission of Vietnam (SSC) has welcomed the work of the ISSB and its climate-related reporting requirements, alongside other regulators and standard setters,[4] IFRS S1 and IFRS S2 have not yet been incorporated into Vietnam's disclosure requirements.

However, the following international standards are common frameworks that have influenced Vietnam's sustainability reporting requirements as well as relevant guiding documents to varying degrees:

(a) GRI Standards;

(b) International Finance Corporation;

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1 Circular No. 96/2020/TT-BTC (Ministry of Finance, 11 November 2020) provides guidelines on the disclosure of information on the securities market, as amended and supplemented in 2024, 2025 and 2026 (**Circular 96**), Appendix IV.

2 Decree No. 47/2021/ND-CP (Government, 1 April 2021) elaborates on some articles of the law on enterprises, as amended and supplemented in 2023 (**Decree 47**), Form No. 4 in Appendix II.

3 Decree No. 08/2022/ND-CP (Government, 10 January 2022) on elaboration of several articles of the Law on Environmental Protection, as amended and supplemented in 2023, 2025, and 2026 (**Decree 08**), Article 157.6(a).

4 https://www.ifrs.org/news-and-events/news/2023/12/issb-at-cop28-statement-of-support/; https://www.ifrs.org/ifrs-sustainability-disclosure-standards-around-the-world/cop28-declaration-of-support/further-statements-of-support/

(c) International Integrated Reporting Council;

(d) ISO 26000:2010; and

(e) SASB Standards.

In October 2024, the SSC, in collaboration with other organisations, launched the "ESG Handbook", which provides voluntary guidance and reference materials for Vietnamese enterprises on integrating ESG into corporate governance and enhancing sustainability disclosures.

The ESG Handbook recommends international standards, including the TCFD, UN Sustainable Development Goals and the EU's European Sustainability Reporting Standards.[5]

In addition, the Vietnam Corporate Governance Code 2026, launched by the SSC with support from the IFC on 3 February 2026, refers to several international standards and frameworks, including the IIRC, GRI and ISSB Standards, in its guidance on disclosure and transparency principles and recommends application of these standards in sustainability disclosures by public companies.[6] However, the Code is intended as a best-practice manual and does not impose mandatory disclosure requirements.

6. **How do the disclosure requirements approach materiality (e.g. single or double materiality)?**

   The current regulations of Vietnam (through Circular 96, Decree 08 and Decree 47) can be viewed as adopting an impact materiality approach with certain elements of double materiality.

7. **Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.**

   GHG-emitting establishments are specified in lists issued by the Prime Minister (**Specified Establishments**) and categorised by sector.[7] The list of establishments was initially issued in 2022 and most recently expanded in August 2024. These establishments are heavy emitters in specific sectors including energy, transportation, construction, industrial processes, agriculture, forestry and waste.

   The Specified Establishments are subject to biennial GHG inventory reporting, which requires them to report on their GHG inventory method, operation figures and emissions at the facility-level. The requirement to establish GHG inventory reports first applied with a deadline of 31 March 2025 (for reporting period calendar year 2024) and thereafter reporting will be required every two years. There are currently 2,166 Specified Establishments.

   Although the list of Specified Establishments is publicly available, this is not the case for the disclosure of GHG emissions. The government is meant to report GHG inventory at a national and sector level through the websites of climate change and sector authorities,[8] although these announcements have not yet been made.

   Circular 96 (described in section A.2 above) imposes public disclosure requirements in respect of GHG emissions, being total direct and indirect GHG emissions and measures and initiatives to reduce GHG emissions.

8. **Are there mandatory requirements to obtain independent assurance of any ESG disclosures or plans for such requirements?**

   No. However, some companies obtain independent assurance (likely due to contractual undertakings or on a voluntary basis).

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5 A set of detailed sustainability reporting requirements adopted by the European Union to support the implementation of the Corporate Sustainability Reporting Directive.

6 https://viod.vn/wp-content/uploads/2026/02/Auto-Draft_Auto-Draft_Viet-Nam-Corporate-Governance-Code-2026_m2Ei_81d1.pdf; https://ssc.gov.vn/webcenter/portal/ssc/pages_r/l/chitit?dDocName=APPSSCGOVVN16201638818.%20=

7 Decision No. 13/2024/QD-TTg (Government, 13 August 2024) on the lists of sectors and GHG emitting facilities required to develop GHG inventory (updated) (**Decision 13**).

8 Decree No. 06/2022/ND-CP (Government, 7 January 2022) providing regulations on greenhouse gas emission reduction and ozone layer protection, as amended and supplemented in 2025 and 2026 (**Decree 06**), Article 11.1(dd).

9. For companies not subject to mandatory or comply-or-explain ESG reporting, are voluntary ESG disclosures customary?

No. However, YKVN have advised on a number of recent transactions where issuers of sustainable bonds and borrowers of sustainable financing made voluntary public ESG disclosures.

For example, the voluntary Sustainable Finance Framework of Vietnam Prosperity Joint Stock Commercial Bank (**VPBank**) was evaluated by Sustainalytics in 2024 and, following this independent assurance, in May 2025 VPBank announced a landmark international syndicated loan transaction with an initial value of US$1 billion.[9]

A&A Green Phoenix Group Joint Stock Company (Phenikaa) had its Sustainable Finance Framework evaluated by Sustainable Fitch in November 2024 and issued VND 520 billion in dual-tranche sustainability-linked bonds.

Ho Chi Minh City Development Joint Stock Commercial Bank (**HD Bank**)'s Sustainable Finance Framework has been subject to an independent external review in the form of a Second Party Opinion issued by Moody's Ratings on 6 December 2024.[10] In January 2026, HD Bank successfully issued US$100 million green bonds to international investors.[11]

10. Has your jurisdiction issued a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

Yes. On 4 July 2025, the Prime Minister of Vietnam issued Decision No. 21/2025/QD-TTg on environmental criteria and verification of investment projects under the green taxonomy (**Decision 21**). Decision 21 provides for the environmental criteria and verification procedures applicable to investment projects that satisfy such criteria and are therefore eligible for the State's preferential policies and support in relation to green credit and green bonds. Credit institutions and foreign bank branches in Vietnam are encouraged to apply this green taxonomy when identifying and providing green credit.

Pursuant to Decision 21, eligible sectors and types of investment projects under the green taxonomy include energy, transportation, construction, water resources, agriculture, forestry, fisheries and biodiversity conservation, processing and manufacturing industry, and environmental services.

11. Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards or the TNFD)?

Yes. Under Decision No. 941/QD-BTC approving the action plan for the implementation of the Securities Market Development Strategy through 2030, the Ministry of Finance has assigned the SSC to implement a project aimed at enhancing the quality of annual reports of public companies as regards sustainability, based on the application of ESG standards in line with international practices. The project is expected to be implemented through the issuance of legal documents and the organisation of training sessions during 2026-2030.

12. Other upcoming developments / direction of travel

On 6 November 2025, the International Conference of the ASEAN Capital Markets Forum (**ACMF**), to which Vietnam is an active member, launched the ACMF Action Plan 2026-2030 (**AP 2026**), a forward-looking roadmap for the development of ASEAN capital markets over the next five years.[12] Among other things, AP 2026 expresses strong support for listed companies in adopting consistent and globally aligned sustainability disclosures, using the ISSB Standards, namely IFRS S1 and IFRS S2, as a building block. The stated objectives of this initiative are to engage with

9 https://vir.com.vn/vpbank-secures-record-1-billion-sustainable-syndicated-loan-127772.html
10 https://cdn.hdbank.com.vn/hdbank-file/investor/editor/SRIFUyc22h9ckFv5jCqY20241223111455/SecondPartyOpinionHoChiMinhCityDevelopment06December2024FinalFinal2_1734927413856.pdf
11 https://hdbank.com.vn/en/news/detail/tin-tuc/hdbank-phat-hanh-thanh-cong-100-trieu-usd-trai-phieu-xanh-quoc-te
12 https://www.investmalaysia.gov.my/resources/latest-announcements/asean-capital-markets-forum-charts-next-phase-of-growth-with-new-five-year-action-plan-and-landmark-conference

the ISSB, support ASEAN member states in considering or implementing ISSB-adoption roadmaps based on their domestic contexts, and strengthen the sustainability reporting capacity of listed companies in the region.[13]

It is noted that the ACMF action plan is not a legally binding instrument/treaty, so a member state like Vietnam has no legal obligation to implement such a plan until it voluntarily takes a further step. The SSC, in an attempt to implement AP 2026, launched the Vietnam Corporate Governance Code 2026, which recommends the application of the ISSB Standards in sustainability disclosures by public companies (as mentioned in section A.5 above).

This move suggests that ISSB alignment is a likely direction of travel for Vietnam, although Vietnam has not yet issued a binding domestic roadmap mandating ISSB-based disclosure.

In addition, disclosure requirements imposed on Vietnam's foreign trade and investment partners (particularly EU entities) would be expected to have an impact on disclosures by their Vietnamese trading partners and exporters, at least to the relevant EU company if not publicly or to any authority. The EU's CBAM is expected to have a similar effect on trading partners/exporters of certain goods to the EU.

We therefore expect foreign importers, investors and financiers to impose requirements on Vietnamese companies to disclose certain emissions and other data. This has the potential to impact the local market.

B. Transition

1. Has your jurisdiction adopted national decarbonisation targets and strategies?

Yes. At the 26th United Nations Climate Change Conference of the Parties in December 2021, Vietnam set a goal of achieving net zero emissions by 2050. This commitment has since been embedded in a series of policy instruments and, more recently, given operational effect through binding legal measures at the facility level.

Various efforts have been undertaken by the government to achieve this and, notably, in July 2022 the government issued the National Climate Change Strategy to 2050, under Decision No. 896/QD-TTg dated 26 July 2022 of the Prime Minister, which sets out as a general target that Vietnam will reduce GHG emissions under the goal of net zero emissions by 2050. The specific goals include ensuring that:[14]

(a) by 2030, total national GHG emissions will be reduced by 43.5% against business-as-usual;

(b) by 2035, emissions peak will be reached; and

(c) by 2050, total national GHG emissions will reach net zero emissions.

The National Climate Change Strategy to 2050 sets out the strategies for reducing GHG emissions for each sector. For example, the energy sector promotes clean energy development, economical and efficient energy usage and the agriculture sector applies emission reduction measures through technological innovations in crop cultivation and livestock farming. Subsequently, a series of programmes and action plans for specific sectors were issued to concretise the national strategy, including Decision No. 876/QD-TTg for the transportation sector[15] and Decision No. 266/QD-TTg for the energy sector.[16]

The Vietnamese government has also developed Amended Power Development Plan 8 (**Amended PDP8**) which aims to foster renewable energy projects and reduce GHG emissions. Under Amended PDP8, Vietnam sets a goal, among others, of reducing GHGs caused by electricity production to about 197-199 million tonnes from 2030, and to about 27 million tonnes from 2050. Further, the electricity generation sector must

13 AP 2026, Initiative 2.2.2 (Promote phasing-in, proportionality and interoperability of corporate sustainability disclosures).
14 Decision No. 896/QD-TTg dated 26 July 2022 of the Prime Minister, Section III.2(b).
15 Decision No. 876/QD-TTg (Prime Minister, 22 July 2022) approving the action programme for transition to green energy and mitigation of carbon dioxide and methane emissions from transportation.
16 Decision No. 266/QD-TTg (Prime Minister, 12 February 2025) on promulgation of the action plan for implementing the global declaration on coal-to-clean energy transition.

prioritise the construction of projects contributing to reducing GHGs (e.g., biomass, electricity produced from trash, solid waste and cogeneration).

In 2023, the Ministry of Industry and Trade issued Decision No. 947/QD-BCT on approving the Annual Plan for Implementation of Vietnam's Low Emission Energy Program II, aiming to, among other objectives, reduce GHG emissions in the energy and industrial sectors.[17]

The most significant recent development is the shift from policy targets to legally binding facility-level obligations pursuant to the establishment of an ETS and carbon market as outlined in section B.2 below. These developments impose increasingly stringent compliance requirements on businesses in respect of their GHG emissions and mitigation activities.

2. Are businesses subject to any mandatory carbon pricing requirements (e.g. ETS, carbon taxes or carbon border adjustment mechanisms)? Are there plans for such requirements?

Vietnam is in the process of implementing a full-scale mandatory ETS and voluntary domestic carbon market, with both currently operating in the pilot phase. In the 2025-2026 pilot period, Specified Establishments operating in the thermal power, iron and steel, and cement sectors (**Allocated Establishments**) are subject to GHG emission quota allocation under a mandatory ETS as outlined below.[18] The carbon market trades both GHG emissions quotas and carbon credits.

The ETS is expected to operate in two stages: a partially operational phase (2025-2028), and a fully operational phase (beginning in 2029) that would feature emissions quota auctions and international credit trading. In more detail, Decree 06[19] stipulates the following roadmap and timeline:

(a) *From now until the end of 2028*: establish a national registry system; develop and pilot the operation of the domestic carbon trading exchange (**CTX**); deploy the domestic carbon credit exchanging and offsetting mechanism; and conduct capacity-building and awareness-raising activities on carbon market development;

(b) From *2029 onwards*: develop and implement an auction mechanism for GHG emissions quotas; and finalise regulations on carbon credit management, GHG emissions quota trading and carbon credit trading; and regulations on the organisation, management and operation of the domestic carbon market and participation in the international carbon market.

The legal framework for the ETS has been substantially established through the following key instruments: (i) Decree 06 issued by the Government establishing the compliance framework, quota allocation procedures and offsetting mechanisms; (ii) Decree 29[20] establishing the legal and operational framework for the domestic CTX to be operated by the Hanoi Stock Exchange (**HNX**); (iii) Circular No. 11/2026/TT-BNNMT[21] regulating the management and operation of the national registry system for GHG emission quotas and carbon credits; and (iv) Decision 263[22] approving total GHG emissions quotas for the 2025–2026 pilot period and confirming the list of regulated establishments subject to quota allocation.

GHG emissions quotas will be determined based on statutory methods and allocated to Specified Establishments by the Prime Minister and the Ministry of Agriculture and Environment

17 Decision No. 947/QD-BCT (the Ministry of Industry and Trade, 18 April 2023) on approving Annual Plan (October 2022 – September 2023) for Implementation of Vietnam Low Emission Energy Program II.
18 Decree 06, Article 12.1(a).
19 Decree 06, Article 17.
20 Decree No. 29/2026/ND-CP (Government, 19 January 2026) on the domestic carbon trading exchange (**Decree 29**).
21 Circular No. 11/2026/TT-BNNMT (MOAE, 13 February 2026) on management and operation of national registry system for GHG emission quotas and carbon credits, as amended and supplemented by Circular No. 22/2026/TT-BNNMT (MOAE, 19 March 2026).
22 Decision No. 263/QD-TTg dated 9 February 2026 of the Prime Minister approved total pilot GHG emissions quotas for the 2025–2026 pilot period (**Decision 263**).

(**MOAE**).[23] During the 2025–2026 pilot period, quota allocation is limited to 110 Allocated Establishments (out of 2,166 Specified Establishments) which are operating in the thermal power, iron and steel, and cement sectors, with total pilot quotas set at 243.1 million tCO_2e for 2025 and 268.4 million tCO_2e for 2026. The remaining Specified Establishments are not yet subject to quota allocation; it is anticipated that further instruments will be issued following the conclusion of the pilot period to extend quota allocation to those establishments, though no binding timeline has been confirmed as of June 2026.

Specifically, one unit of emission quota represents the right to emit one tonne of CO_2 or CO_2-equivalent. Allocated Establishments that exceed their allocated quota may be subject to administrative penalties. In addition, the amount of GHG emissions exceeding the GHG emission quotas allocated will be deducted from the next period's allocation. Allocated Establishments may use carbon credits from certain projects under the carbon credit exchange and offset mechanisms to offset GHG emissions, and the offsetting must not exceed 30% of the allocated GHG emission quotas. Both GHG emissions quotas and carbon credits will be traded on the CTX established and operated by HNX.

Additionally, a separate carbon credit trading platform will be developed and managed by the International Financial Centre of Vietnam (**VIFC**) in Ho Chi Minh City and in Da Nang City. Organising domestic and international carbon credit trading markets is included in the list of services prioritised for development by the VIFC.[24]

On 22 June 2026, the Department of Climate Change under the MOAE signed coordination memoranda with relevant parties in relation to the organisation and operation of the domestic CTX.[25] These agreements established a unified mechanism for the operations of the carbon trading exchange. On 29 June 2026, Vietnam's carbon trading exchange officially commenced pilot operations and recorded its first GHG emissions quota transactions, marking a new milestone in the country's energy transition. Initial transaction prices were approximately VND 130,000-136,000 per tCO_2e.[26]

Alongside the domestic market, Decree No. 112/2026/ND-CP[27] established a legal framework for the international transfer of GHG emission mitigation outcomes and carbon credits with international partners for the purpose of implementing the Paris Agreement under the UNFCCC. One of the overarching principles is that the transfer of carbon credits abroad must be consistent with Vietnam's international commitments, in particular the mechanism under Article 6 of the Paris Agreement. Rules are in place to regulate the maximum transfer ratio of GHG emission reduction results and carbon credits that are transferred abroad. Businesses must comply with a stringent management process, including preparing and submitting a carbon credit transfer proposal dossier and obtaining prior written regulatory approval for such proposal from the MOAE.

In conclusion, Vietnam's ETS is operational in law, with quota allocations now confirmed.

As of June 2026, Vietnam has neither introduced nor proposed a carbon tax or its own CBAM.

3. Are there mandatory requirements for businesses to develop, implement and/or disclose climate-related transition plans? Are there plans for such requirements?

The Law on Environmental Protection[28] requires Specified Establishments (as mentioned in section A.7 above) to:[29]

(a) organise the conduct of GHG inventories, develop and

23 Decision No. 232/QD-TTg (Prime Minister, 24 January 2025) approving the scheme on the establishment and development of the carbon market in Vietnam, Article 1, Section III.1(a).
24 Decree No. 323/2025/ND-CP (Government, 18 December 2025) on the establishment of an International Financial Center of Vietnam, Article 6 and Appendix, Section 2.
25 https://vmrf.vn/ky-ket-van-hanh-san-giao-dich-carbon-viet-nam-tien-them-mot-buoc-toi-thi-truong-carbon-hien-dai-va-muc-tieu-net-zero-2943
26 https://vnexpress.net/viet-nam-ghi-nhan-giao-dich-carbon-dau-tien-gia-136-000-dong-mot-tan-co2e-5091078.html
27 Decree No. 112/2026/ND-CP (Government, 1 April 2026) on international transfer of greenhouse gas emission mitigation outcomes and carbon credits.
28 Law on Environmental Protection No. 72/2020/QH14 (National Assembly, 17 November 2020), as amended and supplemented in 2022, 2023, 2024 and 2025 (**Law on Environmental Protection**).
29 Law on Environmental Protection, Article 91.7.

maintain a GHG emissions database, and submit GHG inventory results to the MOAE on a biennial basis before 1 December of the reporting period for consolidation and reporting to the Prime Minister;

(b) formulate and implement annual GHG emissions reduction plans at the facility level (**GHG Reduction Plans**); and integrate GHG emissions reduction activities with quality management programmes, cleaner production programmes and environmental protection programmes; and

(c) prepare annual reports on GHG emissions reduction levels for the purpose of implementing the facility's GHG Reduction Plan in accordance with the measurement, reporting and verification system, and submit such reports before 31 December of the reporting period.

A GHG Reduction Plan must include specified information including:[30] (i) GHG inventory results of facilities of the latest year; (ii) estimated GHG emissions in the planning period without application of technology and measures for GHG emissions reduction; (iii) the objective of GHG emissions mitigation of each year in the period from 2026 to 2030; (iv) chosen measures for GHG emissions reduction that are suitable for the actual situation, technological situation, and available resources of the establishments; and (v) a plan for monitoring the implementation of the GHG Reduction Plan.

There are currently no promulgated penalties for a Specified Establishment's failure to follow the measures or meet the targets set out in its GHG Reduction Plan. However, Allocated Establishments are subject to the GHG emissions quotas mentioned in section B.2 above for the 2025-2026 pilot period.

For public (and certain other) companies, the annual report required under Circular 96 (see section A.2 above) contains certain disclosure requirements on initiatives to reduce GHG emissions.[31]

Furthermore, in relation to ozone-depleting substances and/or controlled greenhouse effect substances (as identified by the government):

(a) enterprises that manufacture products containing or using such substances are obliged to develop an appropriate roadmap to replace and eliminate such substances (in accordance with treaties to which Vietnam is a party); and[32]

(b) enterprises using equipment or products containing or using such substances shall comply with regulations on the collection, transportation, recycling, reuse and disposal of such substances (in accordance with the MOAE's guidelines).[33]

In the banking sector, the State Bank of Vietnam (**SBV**) issued Circular No. 17/2022/TT-NHNN on internal credit rating systems, which requires credit institutions (i.e. banks) to integrate environmental and social factors into their risk management processes and credit decisions.[34]

4. Are there mandatory requirements for businesses to set, meet and/or disclose climate-related targets? Are there plans for such requirements?

Yes, see section B.3 above for mandatory requirements for Specified Establishments to formulate and implement a GHG Reduction Plan in accordance with their respective allocated GHG emissions quotas, which will require such establishments to set GHG reduction targets.

30 Decree 06, Article 13.5

31 Circular 96, Appendix IV, Section 6.1.

32 Law on Environmental Protection, Articles 92.3(b) and 92.5.

33 Law on Environmental Protection, Articles 92.3(b) and 92.6.

34 Circular No. 17/2022/TT-NHNN (SBV, 23 December 2022) providing guidelines on environmental risk management in credit extension by credit institutions and foreign bank branches, as amended and supplemented in 2026, Article 5.

The MOAE is responsible for notifying and updating information on the list of GHG emissions quotas allocated to individual establishments. However, facility-level quota allocations have not yet been published. To date, only the total pilot GHG emissions quotas at the sector level for 2025 and 2026 have been approved under Decision 263 as noted in section B.2 above.

5. Are businesses subject to any mandatory circular-economy requirements (e.g. EPR schemes or eco-design standards)? Are there plans for such requirements?

Local environmental protection law imposes mandatory circular economy requirements. As a general principle, production, business, and service establishments are responsible for establishing management systems and implementing measures to reduce resource extraction, minimise waste, and increase the reuse and recycling of waste from the project construction and product design stages through to production and distribution.[35]

Circular-economy criteria

General criteria for the circular economy include the following:[36]

(a) reduce the extraction and use of non-renewable resources and water resources; improve the efficiency of using resources, raw materials, and materials; and conserve energy;

(b) extend the useful life of materials, equipment, products, goods, and their components and parts; and

(c) limit waste generation and reduce adverse environmental impacts, including by reducing solid waste, wastewater, and emissions; reducing the use of hazardous chemicals; recycling waste; recovering energy; reducing single-use products; and promoting green procurement.

Measures to achieve the circular-economy criteria

The National Action Plan for Implementing the Circular Economy to 2035, issued by the Prime Minister under Decision No. 222,[37] sets a target of reducing GHG emissions intensity per unit of GDP by at least 15% by 2030 compared to 2014.[38] The priority sectors and fields for implementing the circular economy through to 2035 include: (i) agriculture, forestry and fisheries; (ii) energy; (iii) mineral extraction and processing; (iv) manufacturing and processing industries; (v) chemicals; (vi) construction; (vii) transport; (viii) services and tourism; (ix) waste management; and (x) development of urban areas and concentrated residential zones; industrial parks, industrial clusters, and concentrated production, business and service zones.[39]

Decree 08 provides that based on the National Action Plan for Implementing the Circular Economy, enterprises in certain sectors must implement the following measures in order of priority to meet the circular economy criteria:

(a) for production, business, and service establishment projects: (i) limit non-environmentally friendly products; (ii) optimise the use of equipment, products, resources, materials, and inputs; (iii) extend product and component life cycles; and (iv) reduce waste generation;[40]

(b) for concentrated production, business, and service area and industrial cluster projects: (i) optimise overall site planning and interconnection among projects to improve efficiency and reduce land, water, mineral, and energy consumption; increase recycling and cut total waste; (ii) develop and use clean and renewable energy; (iii) collect, store, and reuse rainwater; collect, treat, and reuse wastewater; and (iv) carry out industrial symbiosis in accordance with law; and[41]

35 Law on Environmental Protection, Article 142.3.
36 Decree 08, Article 138.1.
37 Decision No. 222/QD-TTg (Prime Minister, 23 January 2025) introducing the National Action Plan for Circular Economy Implementation by 2035 (**Decision 222**).
38 Decision 222, Section III.2(b).
39 Decision 222, Appendix II.
40 Decree 08, Article 138.2.
41 Decree 08, Article 138.3.

(c) for urban development and concentrated residential area projects: (i) optimise overall site planning to improve efficiency and reduce land, water, and energy consumption; (ii) apply environmentally friendly transport solutions to reduce GHG emissions; (iii) develop and use clean and renewable energy in line with law; and (iv) implement other environmental protection measures required by law.[42]

EPR schemes

Local environmental protection laws include EPR-related provisions. Enterprises producing and/or importing products and packaging with recyclable value are required to recycle such products and packaging in accordance with mandatory recycling rates and specifications (as prescribed under Decree No. 110/2026/ND-CP[43]).[44] Such enterprises must choose to fulfil their recycling obligations in one of the following forms: (i) organising the recycling of products and packaging themselves; or (ii) making financial contributions to the Vietnam Environment Protection Fund to support the recycling of products and packaging.[45] In addition, enterprises (other than those choosing to make financial contributions to the Vietnam Environment Protection Fund) must register a recycling plan and submit recycling results reports in the statutory form to the MOAE before 1 April of each year.[46]

Enterprises producing and/or importing products and packaging containing hazardous substances, that are difficult to recycle or that create difficulties for collection and treatment, are required to make financial contributions to support waste treatment activities.[47] Such enterprises shall make financial contributions to the Vietnam Environment Protection Fund with the level of financial contribution determined by the weight or unit of products or packaging, and declare and pay the full contribution amount as specifically prescribed under Decree 110.[48]

Violations of regulations on producers' and importers' product recycling obligations or waste treatment obligations shall, depending on the nature and severity of the violation, be subject to administrative fines ranging from VND 100 million to VND 2 billion, together with remedial measures as prescribed.[49]

Energy efficiency standards and labelling

Vietnam applies a system of mandatory minimum energy performance standards (MEPS) and energy labelling requirements, as provided under the Law on Economical and Efficient Use of Energy[50] and implemented in detail under Decree No. 30/2026/ND-CP.[51]

Under Circular No. 52/2025/TT-BCT[52] of the Ministry of Industry and Trade, from January 2026, the first group of 15 product categories subject to mandatory energy efficiency labelling includes household appliances (air conditioners and refrigerators), office equipment (laptops and commercial

42 Decree 08, Article 138.4.
43 Decree No. 110/2026/ND-CP (Government, 1 April 2026) on elaboration of the Law on Environmental Protection on product and packaging recycling responsibility and waste treatment responsibility of producers and importers (**Decree 110**).
44 Law on Environmental Protection, Article 54.1.
45 Law on Environmental Protection, Article 54.2.
46 Decree 110, Article 7.
47 Law on Environmental Protection, Article 55.1.
48 Law on Environmental Protection, Article 55.1; Decree 110, Article 10.
49 Decree No. 45/2022/ND-CP (Government, 7 July 2022) on penalties for administrative environmental protection offences, Articles 32 and 33.
50 Law on Economical and Efficient Use of Energy No. 50/2010/QH12 (National Assembly, 17 June 2010), as amended and supplemented in 2018 and 2025 (**Law on Economical and Efficient Use of Energy**).
51 Decree No. 30/2026/ND-CP (Government, 21 January 2026) elaborating certain articles and measures to organise and guide the implementation of the Law on Economical and Efficient Use of Energy.
52 Circular No. 52/2025/TT-BCT (Ministry of Industry and Trade, 14 November 2025) promulgating lists of equipment and appliances subject to energy labelling and the roadmap for implementation of the Ministry of Industry and Trade (**Circular 52**).

refrigerators) and industrial equipment (distribution transformers). Certain products such as induction cookers and desktop computers are subject to voluntary labelling from 2026, transitioning to mandatory labelling from 1 January 2027.

6. Are there mandatory corporate sustainability due diligence requirements for businesses or plans for such requirements?

Vietnam does not have any mandatory environmental and/or human rights due diligence obligations for businesses that operate in a similar manner to the EU's CSDDD.

Notwithstanding the above, Vietnam has disclosure obligations requiring companies to disclose their environmental information and to prepare, publish and update various environmental reports. In addition, Vietnam published a National Action Plan for Law and Policy Improvement to Promote Responsible Business Practices in Vietnam in July 2023, which outlines high-level actions to improve policies and laws on labour, the protection of the rights of vulnerable groups, environmental protection and consumer protection.

7. What (if any) policy support has been implemented to promote sustainable finance and investment?

Green taxonomy

The Law on Environmental Protection and Decree 08 have established the legal foundation for green credit and green bonds, under which an investment project must satisfy certain environmental criteria to be eligible for green credit or the issuance of green bonds. Specifically, green credit is extended to investment projects that: (a) use natural resources efficiently; (b) respond to climate change; (c) manage waste; (d) treat pollution and improve environmental quality; (e) restore natural ecosystems; (f) conserve nature and biodiversity; and (g) generate other environmental benefits.[53] Green bonds are bonds issued by the Government, local authorities, or enterprises to raise capital for environmental protection activities and investment projects that bring environmental benefits.[54]

On 4 July 2025, Vietnam issued Decision 21, which established the official framework for certifying investment projects as green projects under the green taxonomy. Decision 21 identifies 45 types of projects across 7 major sectors, including energy; agriculture, forestry, fisheries and biodiversity; transport; manufacturing and processing; construction; environmental services; and water resources. To be certified as falling within the green taxonomy, an investment project must: (a) obtain a decision approving the results of the appraisal of the environmental impact assessment report, or an environmental permit, or environmental registration in accordance with environmental law, except for projects exempt from environmental procedures under the law; and (b) fall within an environmental protection sector or generate environmental benefits and satisfy the requirements set out in Appendix I to Decision 21.[55]

As for green credit, the SBV directs and guides credit institutions to prioritise and arrange appropriate funding sources to provide preferential loans that encourage investors to implement projects included in the green taxonomy list; and supports credit institutions in receiving foreign grants and concessional loans to finance projects included in the green taxonomy list. [56]

Financial incentives and subsidies

Issuers of green bonds and green bond investors are entitled to the following incentives: (a) service fee incentives (for example, a 50% reduction in the registration and listing service

53 Law on Environmental Protection, Article 149.1; Decree 08, Article 154.
54 Law on Environmental Protection, Article 150; Decree 08, Article 154.
55 Decision 21, Article 3.
56 Decree 08, Article 156.

fees for issuers and investors)[57] ; and (b) public investment projects funded from green bond proceeds are given priority in the allocation of sufficient capital in line with the project implementation schedule under the medium-term and annual public investment plans.[58]

Income from green bond interest and income from the initial transfer of green bonds after issuance are exempt from corporate income tax.[59]

Resolution No. 198/2025/QH15[60] provides that enterprises in the private sector, household businesses, and individual business households are entitled to a 2% annual interest rate subsidy from the State when borrowing to implement green projects, circular economy projects, and projects applying ESG standards. The SBV is currently submitting to the Government a draft decree on this interest subsidy policy.[61]

Blended finance

Blended finance initiatives include Vietnam's participation in the Just Energy Transition Partnership (signed in December 2022) and its Resource Mobilisation Plan, which comprises US$15.5 billion committed by the International Partners Group, setting out priority investments, policy measures, and legal reforms to accelerate the transition to renewable energy.[62]

8. Other upcoming developments / direction of travel

Vietnam's approach is to encourage investment in greenfield and brownfield projects involving transformative technologies that lower GHG emissions, as well as encourage participation in mechanisms and modes of cooperation that lower GHG emissions.

The Government has launched the Sustainable Business Support Programme for the period 2026-2030[63], with the goal of supporting approximately 25,000 business entities on their sustainable development initiatives through advisory support, science and technology assistance, digital transformation, and communications and trade promotion activities. The three sustainable business models supported under the programme are (a) the circular economy business model, (b) the inclusive business model, and (c) the ESG business model and other sustainable business models.

The SSC will conduct a review with a view to amending and supplementing Circular 96 on information disclosure in the securities market, including a review and revision of provisions on sustainability reporting for listed companies and public companies, so that disclosed information will more closely reflect international practice as mentioned in section A.12 above.

Apart from the State, market participants have been placing increased focus on ESG with media attention on those companies making positive strides. There is a growing corporate culture of setting ESG goals.

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57 Circular No. 83/2024/TT-BTC (Ministry of Finance, 26 November 2024) providing guidance on mechanisms and policies for prices of securities services set by the State and applied to Vietnam Exchange and its subsidiaries, and Vietnam Securities Depository and Clearing Corporation, Article 3.6.

58 Decree 08, Article 157.8.

59 Decree No. 320/2025/ND-CP (Government, 15 December 2025) on elaboration of some Articles and measures for organization, provision of guidelines for implementation of the Law on Corporate Income Tax, as amended and supplemented in 2026, Article 4.10.

60 Resolution No. 198/2025/QH15 (National Assembly, 17 May 2025) on special mechanisms and policies for the private sector development, Article 9.1.

61 https://vneconomy.vn/huong-dan-xac-dinh-du-an-xanh-dap-ung-tieu-chi-tuan-hoan-va-ap-dung-khung-esg

62 Decision No. 926/QD-TTg (Prime Minister, 25 May 2026) approving Sustainable Business Support Program.

63 Decision No. 926/QD-TTg (Prime Minister, 25 May 2026) approving Sustainable Business Support Program.

External influence by way of Vietnam's trading and investment partners will increasingly affect the local market, driven by requirements of their home jurisdictions as well as voluntary positions adopted. Foreign investors are placing greater emphasis on investee companies transitioning.

C. Greenwashing

1. **Are there any recent examples of legal proceedings, regulatory actions or investigations concerning sustainability-related statements, marketing claims or disclosures in your jurisdiction?**

   No. There have, in the past, been incidents of greenwashing which sparked public anger. However, there have not been any recent legal proceedings or regulatory enforcement actions.

2. **Are there any laws or regulations specifically dealing with greenwashing?**

   Vietnam has not adopted laws or regulations specifically dealing with greenwashing. The Law on Competition,[64] Law on Advertising,[65] Law on Protection of Consumer's Rights,[66] Law on Securities[67] and the Penal Code[68] regulate false information about products or the enterprise itself. The Civil Code[69] allows for claims by those suffering harm. In addition, environmental claims are indirectly disciplined through the Vietnam Eco-label regime, under which the MOAE sets the criteria for, and certifies, environmentally friendly products and services.[70] Significantly for greenwashing, an eco-label certification may be revoked where the product or service no longer meets the applicable criteria, or where the holder fails to maintain the commitments given in its certification dossier - providing a State-backed basis for substantiating green claims and a mechanism to withdraw them where they cease to be accurate.

3. **What are the likely grounds on which such proceedings, actions or investigations can be instigated?**

   Environmental marketing that is inconsistent with, or that falsely asserts, a Vietnam Eco-label certification could provide a further basis for action: such claims may be challenged as misleading under the consumer-protection, advertising and competition laws referred to above, and the relevant producer or service provider may separately have its Vietnam Eco-label certification revoked by the MOAE.

   There is an intersection with corporate governance in the sense that directors could be liable for failure to adhere to their duties.

   Where there is harm suffered, compensation for damages could also be another ground.

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64 Law on Competition No. 23/2018/QH14 (National Assembly, 12 June 2018), as amended and supplemented in 2025.
65 Law on Advertising No. 16/2012/QH13 (National Assembly, 21 June 2012), as amended and supplemented in 2018, 2024 and 2025.
66 Law on Protection of Consumer's Benefits No. 19/2023/QH15 (National Assembly, 20 June 2023), as amended and supplemented in 2025.
67 Law on Securities No. 54/2019/QH14 (National Assembly, 26 November 2019), as amended and supplemented in 2024 and 2025.
68 Penal Code No. 100/2015/QH13 (National Assembly, 10 July 2017), as amended and supplemented in 2017, 2024 and 2025.
69 Civil Code No. 91/2015/QH13 (National Assembly, 24 November 2015), as amended and supplemented in 2025.
70 Law on Environmental Protection, Articles 145 and 148; and Circular No. 02/2022/TT-BTNMT (Ministry of Natural Resources and Environment, 10 January 2022) detailing a number of articles of Law on Environmental Protection, as amended and supplemented in 2025.

4. Other upcoming developments / direction of travel

The Vietnamese government has gravitated towards greater focus on sustainable development and ESG. Market participants, including a growing consumer middle class, are also more concerned with ESG. It is therefore expected that there will be greater scrutiny of greenwashing. The needs of trade partners and foreign investors are also expected to play a role in driving this trend.

Substantiation frameworks are also maturing: the Vietnam Eco-label criteria were tightened by the Circular 02/2022/TT-BTNMT, and the green taxonomy under Decision 21 provides a further reference point for verifying environmental claims. International regimes that restrict unverified eco-labels and vague green claims - such as EU Directive 2024/825 on empowering consumers for the green transition and ISO 14024 - are likely to increase pressure on Vietnamese exporters to substantiate their sustainability claims.

In summary, while Vietnam has no dedicated anti-greenwashing regime, it is moving towards a system in which environmental claims increasingly rely on taxonomy-based classification, third-party verification, ESG disclosure and carbon-market reporting. The regulatory trajectory strongly points towards a framework in which unsupported 'green', 'sustainable', 'net-zero' or similar claims will be materially easier for regulators, lenders and investors to challenge.

For legal and compliance teams, the key takeaway is that environmental claims in Vietnam should increasingly be treated like financial disclosures: they should be documented, evidence-based and capable of independent verification.

Glossary

Term	Description
Carbon credits	Tradeable credits (representing 1 tonne of carbon dioxide equivalent) generated through voluntary emissions reduction activities. Carbon credits can represent emissions reductions achieved through either avoidance (preventing GHG emissions from entering the atmosphere) or removal (taking GHGs from the atmosphere). Carbon crediting mechanisms include those administered by international organisations (e.g. Kyoto Protocol (including the Clean Development Mechanism)), non-governmental organisations (e.g. Verra and Gold Standard) and governments.
Carbon tax	A fee levied by a government on covered entities for their GHG emissions, with the government setting the price of emissions (the tax rate).
CBAM or carbon border adjustment mechanism	A policy tool, first implemented by the EU, to address carbon leakage by imposing a fair price on carbon emitted during the production of carbon-intensive goods entering the relevant jurisdiction and to encourage cleaner industrial production in other jurisdictions.
Circular economy or circularity	An economic model that promotes a more efficient use of resources by applying the three guiding principles of reduce, reuse and recycle to create a circular value chain. This is a departure from the traditional linear economic model, which is based on a take-make-consume-dispose pattern. Examples of circular economy policy instruments include eco-design requirements, EPR schemes for waste and green public procurement.
Comply-or-explain	An approach to disclosure whereby a company must either report on a provision or, if it does not, provide considered reasons for not doing so.
CSDDD	The EU's Directive on Corporate Sustainability Due Diligence (Directive 2024/1760) as amended from time to time.
Double materiality	An approach to disclosure which assesses materiality by reference to information that is necessary to understand the reporting entity's impacts on sustainability matters (impact materiality) and sustainability matters that could reasonably be expected to affect its financial prospects (financial materiality).

Term	Description
EPR or extended producer responsibility	A policy tool in which a producer's responsibility for a product is extended to the post-consumer stage of a product's life cycle, thereby shifting the cost of end-of-life management from local institutions and consumers to the producers ("polluter pays" principle) and fostering a circular economy.
ESG	Environmental, social and governance.
ETS or emissions trading system	In an ETS, the government places a limit on the amount of GHG emissions from covered entities. Typically, entities must surrender emission units (or allowances) to cover their emissions within a compliance period. Each emission unit represents the right to emit a certain volume of emissions and can be traded between covered entities or sometimes with other traders. The carbon price in these systems is usually a function of supply and demand for emission units.
EU	The European Union.
FY	Financial year.
GHG or greenhouse gas	The seven greenhouse gases listed in the Kyoto Protocol: carbon dioxide; methane; nitrous oxide; hydrofluorocarbons; nitrogen trifluoride; perfluorocarbons; and sulphur hexafluoride.
GHG Protocol	Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard (2004).
GRI	Global Reporting Initiative, an international independent standards organisation founded by, amongst others, the United Nations Environmental Programme, to develop sustainability reporting standards.
GRI Standards	A set of interrelated sustainability reporting standards that enable organisations to report publicly on their economic, environmental and social impacts and contribution towards sustainable development developed by the Global Sustainability Standards Board of the GRI.

Term	Description
Human rights and/or environmental due diligence	The process through which enterprises identify, prevent, mitigate and account for how they address their actual and potential adverse human rights and/or environmental impacts in their own operations and their value chain.
IFRS S1	General Requirements for Disclosure of Sustainability-related Financial Information published by the ISSB in June 2023.
IFRS S2	Climate-related Disclosures published by the ISSB in June 2023.
IFRS S2 December 2025 Amendments	Amendments to IFRS S2 issued by the ISSB in December 2025, including certain reliefs and clarifications to (amongst others) limit the measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions and clarify the jurisdictional relief from using the GHG Protocol.
IOSCO	International Organization of Securities Commissions.
ISSB	International Sustainability Standards Board, an independent, private-sector body that was established by the International Financial Reporting Standards Foundation to develop globally consistent sustainability-related financial reporting standards.
ISSB Standards	IFRS S1 and IFRS S2.
NDCs or nationally determined contributions	National climate action plans of each country under the Paris Agreement, outlining how it plans to reduce GHGs to help meet the global goal of limiting temperature rise to 1.5ºC and adapt to the impacts of climate change. The Paris Agreement requires that NDCs are updated every five years.
SASB	Sustainability Accounting Standards Board, a non-profit organisation, founded in 2011 to develop sustainability accounting standards.
SASB Standards	Industry-specific sustainability disclosure standards developed by the SASB. Responsibility for the SASB Standards was assumed by the ISSB in August 2022.

Term	Description
Scope 1 emissions	Direct GHG emissions that occur from sources that are owned or controlled by the reporting entity.
Scope 2 emissions	Indirect GHG emissions from the generation of purchased or acquired electricity, steam, heating or cooling consumed by the reporting entity.
Scope 3 emissions	All indirect GHG emissions (not included in Scope 2) that occur in the value chain of the reporting entity, including both upstream and downstream emissions.
Single materiality	An approach to disclosure which assesses materiality by reference to sustainability matters that could reasonably be expected to affect the reporting entity's prospects (financial materiality).
TCFD	Task Force on Climate-related Financial Disclosures, a task force created by the Financial Stability Board to improve and increase reporting of climate-related financial information. On October 12, 2023, the TCFD fulfilled its remit and disbanded, passing responsibility for monitoring the progress of companies' climate-related disclosures to the International Financial Reporting Standards Foundation.
TCFD Recommendations	The recommendations of the Task Force on Climate-related Financial Disclosures issued by the TCFD in June 2017.
tCO_2e	Tonnes of carbon dioxide equivalent
TNFD	Task Force on Nature-related Financial Disclosures, a market-led and government-supported initiative to develop a set of disclosure recommendations and guidance that encourage and enable businesses and finance to assess, report and act on their nature-related dependencies, impacts, risks and opportunities.
Transition plan	A transition plan is generally understood to be an aspect of a company's overall business strategy that outlines its action plan to mitigate or adapt to climate-related risks for its transition towards a lower carbon economy, including actions such as reducing its GHG emissions.
UNFCCC	United Nations Framework Convention on Climate Change

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