SLAUGHTER AND MAY/

ESG IN APAC

Jurisdictional overview on ESG reporting, transition planning and greenwashing

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This is an interactive publication

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INTRODUCTION

Welcome to the third 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 requirements** – Investors, financiers and others have been demanding better quality and comparable ESG disclosures from companies for their capital allocation, risk assessment and own reporting obligations. We explore the extent to which APAC jurisdictions are mandating and enhancing ESG reporting requirements to address this demand, including the extent of convergence around the reporting standards2 issued by the International Sustainability Standards Board two years ago.
- **Transition planning** – We delve into the extent to which there are regulatory requirements or incentives in place for corporates to transition towards net zero and circularity. Regulatory tools may include (amongst others) emissions trading schemes, carbon taxes and extended producer responsibility schemes (each anchored by the "polluter pays" principle), as well as reporting requirements on environmental targets and transition plans, with the enhanced transparency creating more pressure for companies to develop credible transition strategies.
- **Greenwashing risks** – As requirements on ESG reporting and transition planning generally harden, the risks of being accused of greenwashing may correspondingly increase. We explore the extent to which this has translated into any material litigation or regulatory action in APAC and the grounds for such action.

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 developed close working relationships with leading independent law firms throughout APAC in order to deliver seamless first-class legal services in many cross-border matters.

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

Lisa Chung, Partner
Slaughter and May

[1] The content of this publication represents the position as at 30 June 2025.

[2] IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures, issued in June 2023.

YEAR IN REVIEW ACROSS APAC

(1 July 2024 to 30 June 2025)

- **ESG progression not backlash** – despite the ESG rollback in the US and the EU[1] and financial institutions exiting net zero alliances, APAC jurisdictions have generally made steady progress on enhancing their sustainability regulatory frameworks. Developments have tended to be pragmatic and gradual, driven by the region's exposure to ESG risks as well as the economic opportunities created by the transition.
- **Enhancing corporate sustainability reporting** remains a common theme across most of the jurisdictions, in particular through harmonising with the international reporting framework developed by the ISSB, with more enhancements expected across much of the region. Comparable and decision-useful sustainability reporting is regarded as an important part of bringing sustainable and transition financing to a region whose transition will require, by some estimates, US$66 trillion during 2020 to 2050.
- **Increasing regulation for a net zero transition** – carbon pricing tools (in the form of mandatory ETS and/or carbon taxes primarily targeting high-emitting sectors) are in place or are in the process of being rolled out in most of the covered jurisdictions, with further expansion expected. The enhanced sustainability reporting requirements observed in many of the jurisdictions are also expected to increase pressure for reporting entities to put in place more credible transition plans.
- **Beyond net zero** –
  - Circularity is an increasing regulatory focus in the region. Legislation has focused on extending producers' responsibility to the waste management stage, and we expect this to continue, though policy approaches are becoming more holistic in some jurisdictions.
  - Mandatory human rights and environmental due diligence is an emerging area, with initial developments in several jurisdictions indicating growing pressure in certain quarters. However, this is at an early stage and jurisdictions may take a wait and see approach to learn from the implementation of the EU's Corporate Sustainability Due Diligence Directive.
- **Greenwashing-related enforcement remains uncommon** outside of a few jurisdictions (most notably Australia).

[1] The EU has proposed reforms to streamline its sustainability requirements and delay implementation due to concerns with the regulatory burden on businesses and the impact on EU competitiveness.

KEY THEMES AND OBSERVATIONS ACROSS APAC

ESG REPORTING REQUIREMENTS

- **Enhancement of reporting requirements continues across much of APAC**
  - The last edition of our publication saw most of the covered jurisdictions announcing plans to enhance their ESG reporting requirements. Most of these jurisdictions have since implemented or finalised the enhanced requirements, showing the continued progress towards more robust corporate sustainability reporting rules.
  - Enhanced rules have taken effect in Australia, Hong Kong, mainland China, Malaysia and Singapore, and are expected to take effect in Cambodia, Japan, Indonesia, South Korea, Taiwan and Thailand within the next year or two. Hong Kong and mainland China have announced plans to further enhance their requirements in the future.
  - Australia, Hong Kong, Indonesia, Malaysia, Singapore and Thailand have adopted a climate-first approach by enhancing climate-related disclosures first, with plans or future reviews to upgrade requirements for other sustainability topics.
  - On the other hand, enhanced requirements have been deferred in the Philippines, and India has eased back on its initial proposals for large listed companies to report in relation to its value chain by making such disclosures voluntary. Singapore delayed full implementation of ISSB-aligned climate reporting for smaller listed companies and large non-listed companies by several years (citing the uncertain global economic landscape and readiness of such companies).
  - Japan has indicated it will examine the incorporation of the biodiversity-related TNFD framework (the only covered jurisdiction to do so).
- **Significant take-up of the ISSB Standards with varying extent of alignment**
  - APAC continues to take steps to align with the ISSB Standards, with 12 of the 16 covered jurisdictions having implemented, finalised or announced plans for the adoption or incorporation of the ISSB Standards into local climate or sustainability reporting rules.
  - *First-movers* - Australia, Hong Kong, Malaysia and Singapore are the first of the covered jurisdictions to incorporate IFRS S2 (each adopting a phased approach). The first IFRS S2-aligned reports covered by these rules will be published in 2026.
  - *More to come* - looking ahead, the following jurisdictions are also expected to implement IFRS S1 and/or IFRS S2: Cambodia, Indonesia, Japan, mainland China, Philippines, Taiwan, Thailand and South Korea.
  - Interoperability and comparability should therefore improve over the region, with a common language and structure built around the four pillars of governance, strategy, risk management and metrics and targets.
  - Some degree of fragmentation will however remain as: (a) some jurisdictions with more bespoke reporting requirements (e.g. Myanmar and Vietnam) have not made indications to incorporate the ISSB or TCFD standards (the latter being the conceptual foundation for the ISSB Standards); and (b) variations exist in how each ISSB-aligned jurisdiction will incorporate and apply the ISSB Standards. For example, some will initially apply the standards only to climate reporting and some will not mandate disclosures such as Scope 3 emissions. Some jurisdictions apply the requirements to listed companies only and some take a more expansive approach.

- Jurisdictions adopting the "single materiality" approach of the ISSB Standards will be distinct from those that take a "double materiality" approach (like the EU and mainland China), as the ISSB Standards assess materiality by reference to financial materiality rather than a company's external impact.
- These differences in approach towards materiality and the implementation of the ISSB Standards may require companies operating in multiple jurisdictions to consider how best to assess and address reporting gaps and overlaps and to respond in a coherent manner.
- Further alignment with the ISSB Standards is expected to take place after jurisdictions and businesses become more familiar with the new requirements.

- **Large non-listed companies are being brought into scope** - corporate sustainability reporting rules primarily target listed companies and (in certain jurisdictions) financial institutions. However, large non-listed entities are increasingly being brought into scope - see Australia, Malaysia and Singapore. Cambodia, mainland China, Indonesia and Philippines have also indicated that application will expand to non-listed companies in the future.
- **Emissions reporting requirements apply in most jurisdictions** - 12 out of the 16 jurisdictions currently have some form of GHG emissions reporting requirements in place. GHG reporting requirements are expected to be enhanced and standardised across much of APAC with the incorporation of the ISSB Standards.
- **More jurisdictions are requiring external assurance**
  - In our last edition, we observed that New Zealand and Taiwan mandated reporting entities to obtain external assurance requirements for their GHG emissions disclosures. Since then, Australia, Malaysia, Singapore and Thailand have announced plans to phase in assurance requirements.
  - More jurisdictions are expected to move towards external assurance requirements. For example, Japan is considering such a move, and Hong Kong has developed local assurance standards with reference to international developments and will consult the market on an assurance regime.
- **Beyond reporting towards due diligence?**
  - The UN Guiding Principles on Business and Human Rights (**UNGPs**) set out the concept of human rights due diligence – requiring businesses to identify, assess, prevent and mitigate human rights impacts in their own operations and value chains. The OECD Guidelines for Multinational Enterprises on Responsible Business Conduct (**OECD Guidelines**) apply the due diligence concept to environmental and social impacts. The EU's Corporate Sustainability Due Diligence Directive contains due diligence obligations that draw upon the UNGPs and OECD Guidelines.
  - Although certain of the covered jurisdictions have reporting requirements on due diligence policies, none currently mandate businesses to conduct human rights and/or environmental due diligence in the manner contemplated by the UNGPs and OECD Guidelines, but there is growing pressure in some jurisdictions to do so.
  - The Australian government has agreed in principle to undertake a consultation on this subject, and Thailand's Ministry of Justice has initiated discussions on a draft mandatory human rights and environmental due diligence law. Some legislators in New Zealand, Philippines and South Korea have been pushing for similar legislation, but it is too early to say whether the relevant bills will progress. The draft Climate Accountability Bill in the Philippines is particularly novel, with stringent due diligence obligations and accountability mechanisms for businesses, but the likelihood of implementation is unclear.

TRANSITION PLANNING

- Governments in all the covered jurisdictions have announced net zero and/or decarbonisation commitments. In order to meet their pledges,

jurisdictions have implemented a range of policy instruments to drive businesses to decarbonise.

- **Continued growth of carbon pricing tools**
  - The vast majority of the covered jurisdictions have introduced or are in the process of introducing mandatory carbon pricing tools, primarily targeting high-emitting sectors such as the power and industrial sectors. These tools put a price on carbon to incentivise businesses to reduce their emissions. In addition, they help 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.
  - Compliance-based ETS are in place in Australia, Indonesia, mainland China, New Zealand and South Korea. India and Japan are both expected to launch their ETS soon, with Philippines, Thailand and Vietnam making progress towards launching their ETS.
  - Carbon tax for certain industrial sectors or facilities have been introduced in the Malaysian State of Sarawak, Singapore and more recently, Taiwan. Malaysia has announced plans to introduce a national carbon tax. Indonesia has plans to introduce a carbon tax, though implementation has been postponed. Thailand's plan to implement both a carbon tax and mandatory ETS is undergoing legislative processes.
- **Increasing regulations for a circular economy**
  - The concept of circularity can be seen as a regenerative system in which resource input, resource waste and emissions are minimised through eco-design plus processes such as reuse, refurbishment and recycling. A circular economy helps tackle climate change and other environmental impacts such as biodiversity loss. Intersecting with circularity is the policy approach of extended producer responsibility or EPR - making producers operationally and/or financially accountable for the entire lifecycle of their products including at the waste stage. This should also have the impact of incentivising producers to (re)design their products and packaging materials to be circular.
  - Regulations on circularity may cover: (i) product and packaging design e.g. recyclability and minimum recycled content; (ii) waste management e.g. EPR schemes requiring producers to collect and recycle product and/or packaging waste or cover the operating costs of doing so. Such schemes can be tied to statutory collection and recycling targets; and (iii) green public procurement.
  - Mandatory EPR schemes are in place in multiple jurisdictions, including Cambodia, Hong Kong, India, Philippines, South Korea, Taiwan and Vietnam. Some are currently limited to electronic waste, whilst others cover a broader range of products and packaging.
  - Many of the covered jurisdictions have indicated plans for more stringent regulations in this area, primarily focusing on introducing or expanding EPR schemes for producers – this includes Australia, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore and Thailand. Australia and Malaysia are proposing to look more holistically beyond waste management to also consider the design of products and packaging.
- **Transition plan disclosures**
  - Outside of specific high-emitting sectors or facilities, none of the jurisdictions have introduced mandatory requirements for businesses more generally to adopt or implement climate transition plans or climate-related targets.
  - However, the enhanced sustainability reporting regimes discussed above will require reporting entities to disclose aspects of their climate strategies. For jurisdictions that are implementing, or proposing to implement, the IFRS S2, the disclosure of any corporate transition plans and climate-related targets that are set will be a key aspect of ISSB-aligned reporting. The enhanced transparency is expected to have a knock-on pressure for entities to put in place credible transition plans and targets in order to demonstrate to

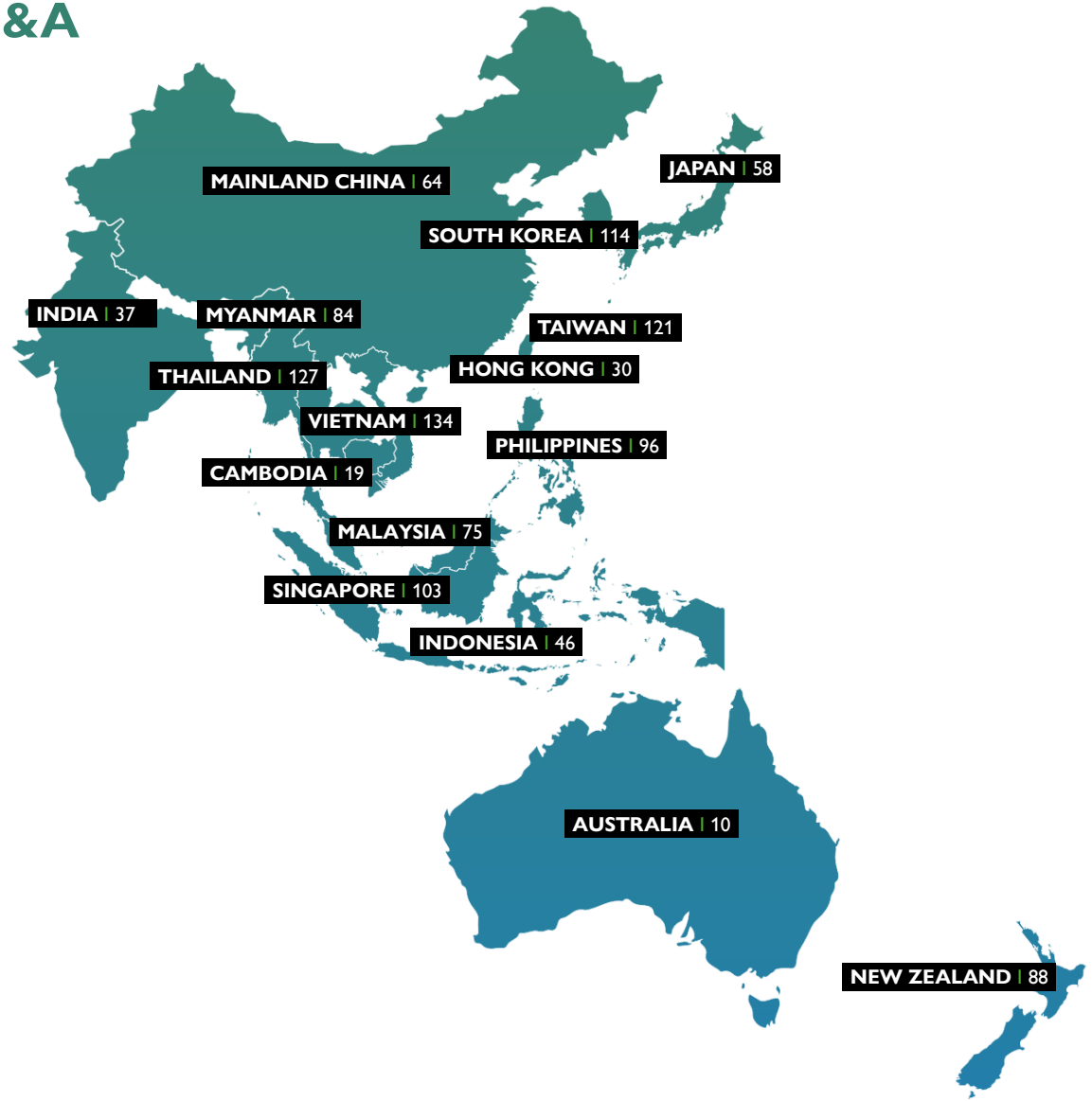
stakeholders that they have developed a robust climate strategy.

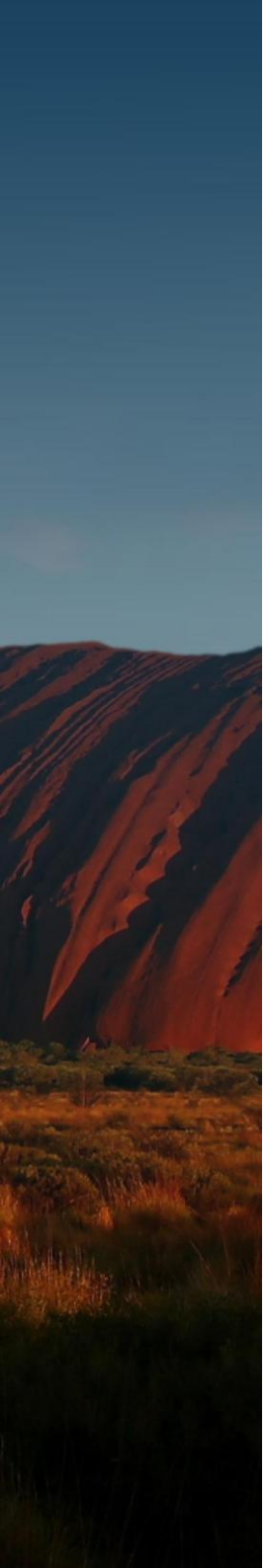
GREENWASHING

- With the exceptions of Australia and, to a lesser degree, New Zealand, Singapore and South Korea, there are no known examples of material legal claims or regulatory enforcement against greenwashing across the covered jurisdictions.
- Australia has been the most active in this regard – the Federal Court of Australia has imposed penalties exceeding a total of AUD40 million in four greenwashing cases brought by regulators, bringing their regulators towards the top of the list of regulators globally taking enforcement actions against greenwashing. Actions have been brought on the grounds of false or misleading representations and conduct liable to mislead the public in relation to the purported application of criteria that would exclude certain securities from investment products badged as having ESG credentials.
- In New Zealand, a proceeding brought by NGOs against a large energy company for overstating its emissions reduction is expected to proceed to trial in 2026.
- South Korea's fair trade commission has recently issued warnings against major fashion brands and a corrective order against a manufacturer for misleading environmental claims of their products.
- Some minor actions have also been taken in mainland China and the Philippines in relation to environmental claims related to consumer products.
- All jurisdictions have grounds on which greenwashing proceedings or actions can potentially be launched, with some noting that greater scrutiny against greenwashing conduct can be expected as disclosure requirements are enhanced. It will be interesting to see if any impact will be observed after the first ISSB-aligned sustainability reports are published in certain of the covered jurisdictions.

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 planning and greenwashing in respect of Australia.

ESG in APAC – Australia
By Gilbert + Tobin

YEAR IN REVIEW

Key developments since 1 July 2024:

- the commencement of the new mandatory climate-related financial disclosure regime in Australia, on a phased-in basis from 1 January 2025.
- the publication of Australia's first Sustainable Finance Taxonomy.
- the release of the Australian Government's response to the stautory review of the Modern Slavery Act, with in-principle agreement to most recommendations.
- the Federal Court of Australia's imposition of penalties exceeding a total of AUD40 million in four greenwashing cases brought by ASIC and the ACCC.
- ASIC and the ACCC reaffirming greenwashing as an ongoing enforcement priority for 2025.

A. ESG REPORTING

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

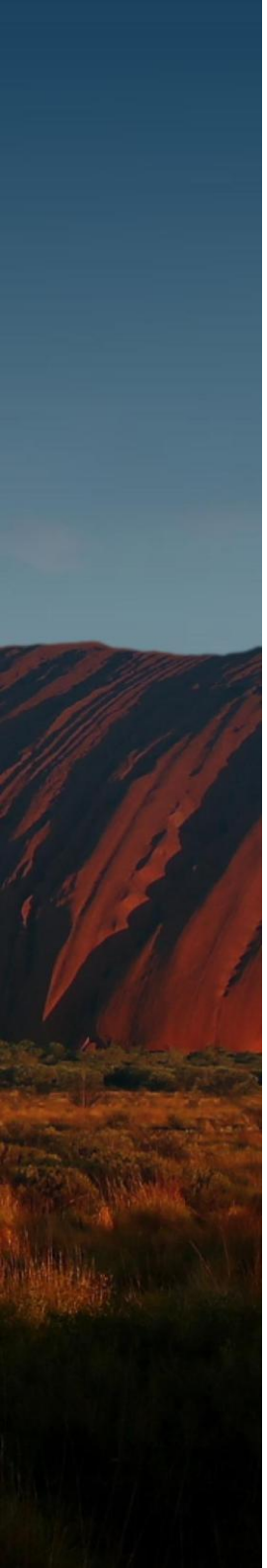
Yes.

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) 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 Assurance Standard Board S2 Climate-related Disclosures (**AASB S2**), relating to the entity's climate-related governance, risk management, strategy, metrics and targets (**climate-related financial disclosure).**

(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) 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 economic, environmental and social sustainability 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:

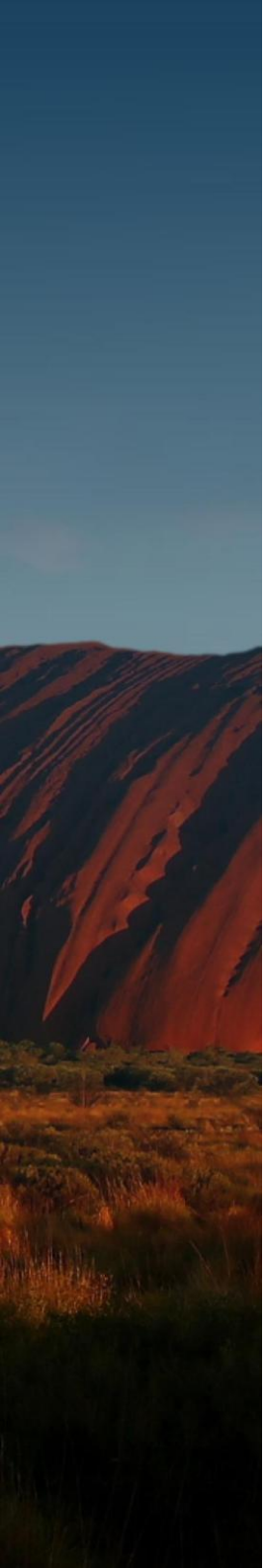
(e) Australian Securities and Investments Commission (**ASIC**) has published the Regulatory Guide 228 Prospectuses: Effective disclosure for retail investors, Regulatory Guide 247: Effective disclosure in an operating and financial review and Regulatory Guide 280: Sustainability Reporting. This ASIC guidance incorporates 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 highlighted 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. The guidance also addresses how entities should disclose on climate-related financial information in annual sustainability reports and other materials.

(f) 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

[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 $50 million or more, consolidated gross assets of $25 million or more and 100 employees or more.

[2] NGER reporting entities are corporations registered under the NGER Act that meet the following thresholds for the financial year: 50 kt of greenhouse gas 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 $500 million or more, consolidated gross assets of $1 billion or more and 500 employees or more. Assets owners with $5 billion or more of assets under management will also be captured within the second group of reporting entities.



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 Chapter 2M or NGER reporting entities.

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 IPCC 2006 Inventory Guidelines.

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 the International Sustainability Standards Board's IFRS S2 Climate-related Disclosures.

On 29 April 2025, the AASB released an exposure draft of proposed amendments to the AASB S2 for consultation, mirroring the proposed amendments under the ISSB to change the GHG emissions disclosure requirements under the IFRS S2.

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.

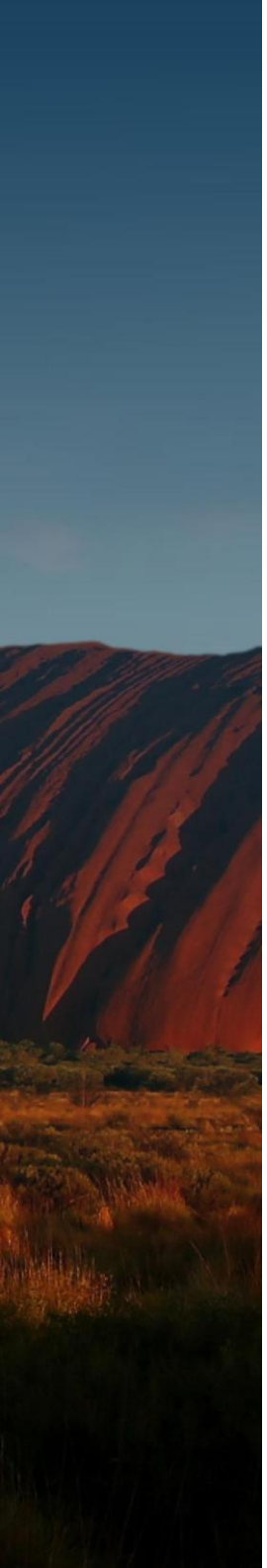
6 How do the disclosure requirements approach materiality (e.g. single or double materiality)?

The climate-related financial disclosure regime (as outlined in 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 their 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 provide that entities will not be required to disclose exact data or detailed information that cannot be easily provided by their customers or supplies. 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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

The Corporations Act requires that sustainability reports containing climate-related financial disclosures will be subject to mandatory assurance and audit requirements, in accordance with the Auditing and Assurance Standards Board (**AUASB**) 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 2001. There will be a phased-in approach for the auditing of sustainability reports, with a progressive assurance phasing-in regime until 1 July 2030.

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

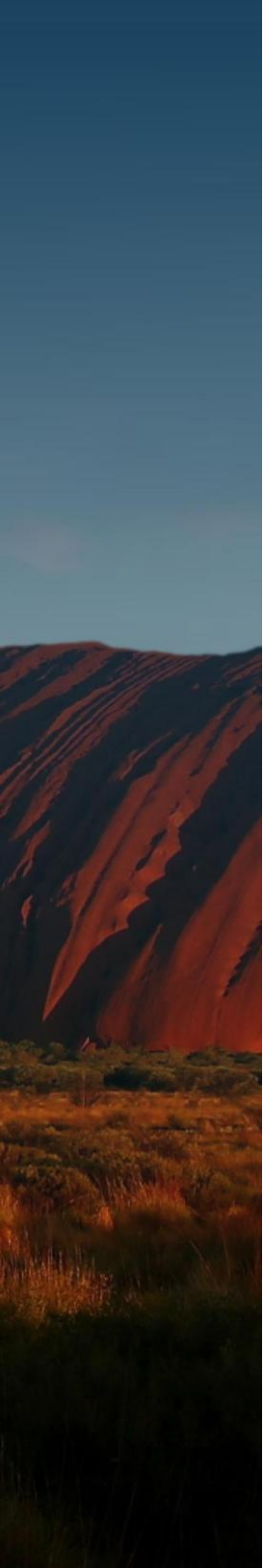
Many companies make ESG disclosures in their annual reports which are made against the TCFD recommendations, ISSB Standards or other international standards (such as the SASB standards or the GRI standards). Companies can also choose to report further information in sustainability reports under the Corporations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

10 Has your jurisdiction issued or adopted 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. 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 and/or the TNFD)? If so, please give details.

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

The Australian Department on 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 specific industry guidance for Australian businesses We expect dialogue on nature-related disclosures to continue in Australia.

12 Other upcoming developments / direction of travel

Climate vulnerability assessments (**CVA**) 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.

Separately, in December 2024, the Australian Government released its response to the report of the statutory review of the Modern Slavery Act, released in May 2023. 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 agreed in principle to expand the mandatory reporting criteria, introduce penalties for non-compliance with reporting requirements, appoint an Australian Anti-Slavery Commissioner and to undertake further consultation on amendments to enhance the due diligence requirements.

Reporting entities are currently required to report on any human rights due diligence frameworks they have in place but are not mandated to conduct due diligence. The Government has agreed in principle to undertake further consultation on extending the requirements under the Modern Slavery Act to mandate due diligence systems.

While the Government has not committed to immediate amendments to the Modern Slavery Act, or provided a proposed timeline for consultations, its response and commitment to undertake consultation on most recommendations signals that amendments will almost certainly be progressed in the future.

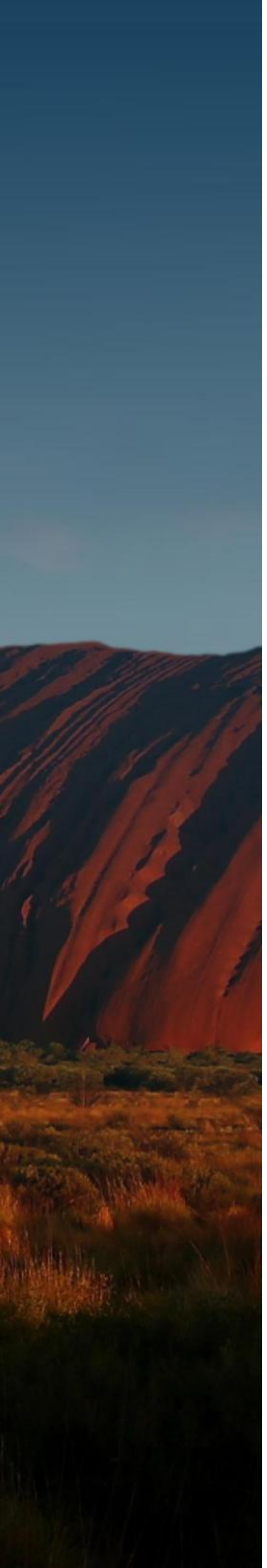
B. TRANSITION PLANNING

1 Has your jurisdiction set 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 energy target of 82% by 2030.

Australia's next NDC under the Paris Agreement is due in 2025, which will include a 2035 emissions reduction target.



2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Carbon Trading Scheme

Yes, Australia's Emissions Reduction Fund enables landholders, communities and businesses to voluntarily run projects that avoid, reduce or remove GHG emissions from the atmosphere. Such projects can generate tradeable Australian carbon credit units (**ACCUs**) which represent one tonne of carbon dioxide-equivalent emissions stored or avoided by a project.

The Safeguard Mechanism requires 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 also equal to one tonne of carbon dioxide equivalent and may be traded to other large facilities to reduce their net emissions in order to meet their baseline.

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 2013. Neither major party has proposed to re-introduce 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

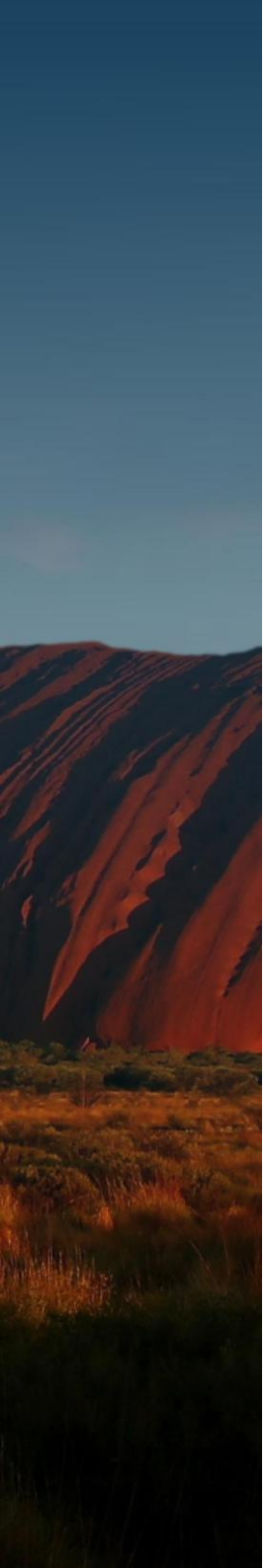
In July 2023, the Australian Government formally commenced a review of carbon leakage as part of the Safeguard Mechanism reviews. In November 2024, a consultation paper was published finding that a CBAM, similar to the one implemented in the European Union in May 2023, could be applied to imports of 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 in Australia in the future.

Circular economy

In October 2024, DCCEEW commenced consultation on reforms to Australia's packaging regulations, including through the potential introduction of a mandatory extended producer responsibility scheme. The details of any proposed reform have not yet been announced.

Between March and May 2025, the Australian Packaging Covenant Organisation, a not-for-profit organisation that works with governments and businesses to reduce the environmental impact of packaging through a reporting framework, also conducted national consultation on a proposed industry-led extended producer responsibility reporting approach, with findings and proposed next steps for a revised producer responsibility approach to be announced in the second half of 2025.



3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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 also announced in its Sustainable Finance Roadmap, published in June 2024, that it will develop and publish best practice guidance for the disclosure of corporate transition plans by the end of 2025.

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

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

Companies are not required to set climate-related targets. However, under the new 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.

In addition, under the Safeguard Mechanism, covered facilities have an obligation to keep their Scope 1 GHG emissions at or below their set baseline (as mentioned in 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 Other upcoming developments / direction of travel

Although transition plans are not currently mandatory, we expect there to be an increasing focus on transition plans. As noted, the Australian Government has announced that it will prepare separate guidance on transition plans.

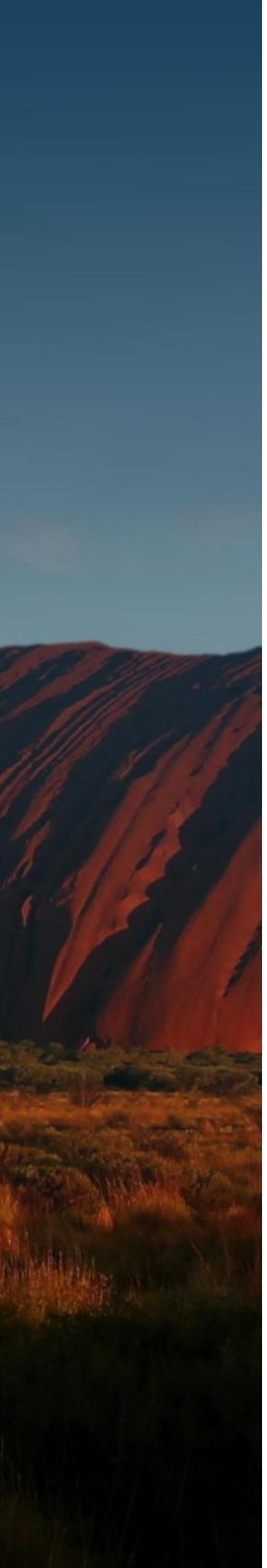
C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

Yes.

In March 2024, the Federal Court of Australia found that Vanguard Investments Australia Ltd 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 their 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 $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 $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 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 $11.3 million.

In April 2024, the Australian Competition and Consumer Commission (**ACCC**) also initiated its first greenwashing proceedings in the Federal Court, 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 $8.25 million for making false or misleading representations in breach of the Australian Consumer Law.

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. A three-week hearing took place in December 2024, with the ACCR maintaining that Santos engaged in misleading or deceptive conduct relating to its clean energy and net zero claims. Santos maintained that it rejects the allegations. This was the first court proceeding globally to challenge a net zero target, with judgment likely to be delivered by mid-2025.

There have been various other complaints made to the ACCC to investigate green claims made by companies. For example, Victorian Forest Alliance has lodged a complaint with the ACCC against a Victorian government agency, VicForests, for greenwashing over its advertisements and claims with messages such as "Sustainability is at the heart of everything we do." A net-zero focused not-for-profit advocacy group has also lodged a complaint to the ACCC against Qantas Airways Limited's allegedly misleading sustainability statements and net zero claims.

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

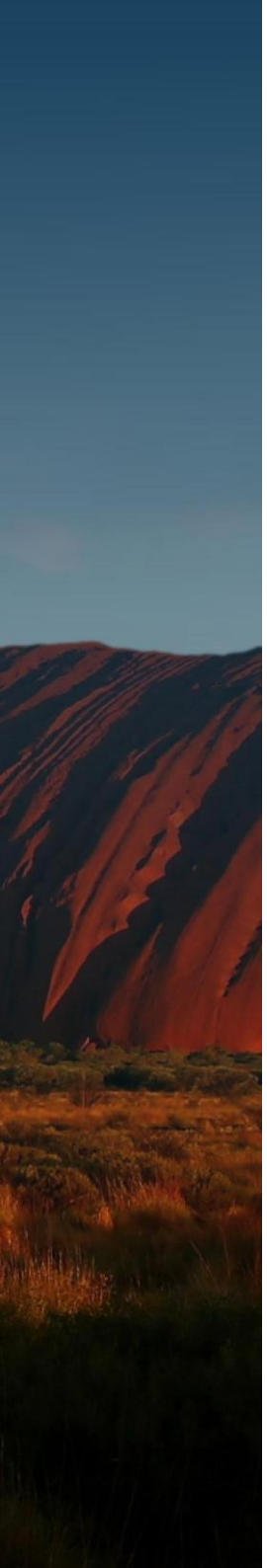
In Australia, there are laws prohibiting the making of false and misleading statements which may include greenwashing:

(a) The Corporations Act 2001 (Cth) 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 also prohibits engaging in misleading or deceptive conduct in trade or commerce in relation to financial services.

(d) In addition, 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.

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

Likely grounds include:

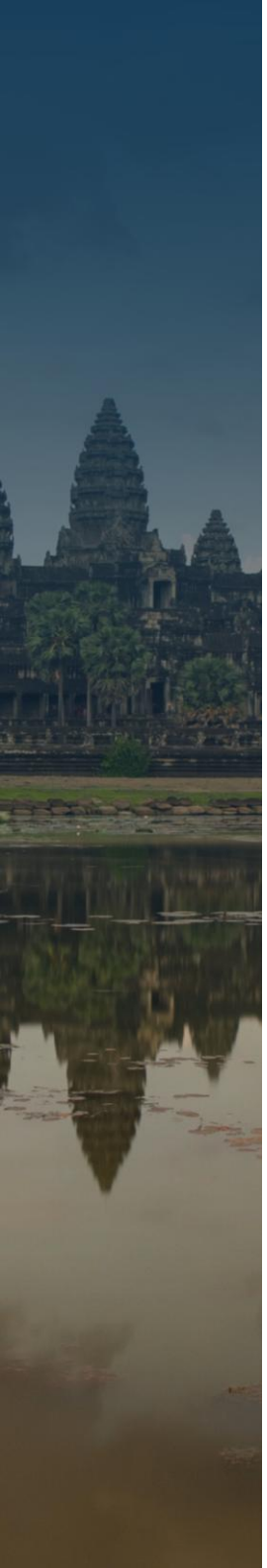
(a) misleading or deceptive conduct under the Corporations Act, the Australian Consumer Law or the ASIC Act; and

(b) breaches of directors' duties.

4 Other upcoming developments / direction of travel

Both the ACCC and ASIC have announced that greenwashing is one of their key enforcement priorities for 2025. The ACCC has also announced that it will investigate a number of businesses for greenwashing, following an "internet sweep" of 247 businesses across eight sectors that identified 57% of those businesses as making what the ACCC considered to be "concerning environmental claims".

In light of this, we expect to see an increasing number of legal proceedings and regulatory actions or investigations against companies operating in Australia which allege greenwashing.



CAMBODIA

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

ESG in APAC – Cambodia
By Bun & Associates

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Adoption of a Ministrial Directive on ESG Disclosure, marking a significant step towards formalising ESG reporting obligations in Cambodia's capital markets. The requirements will come into force on 10 May 2026 and will apply to Cambodia's listed companies.
- The Code on Environment and Natural Resources came into effect, imposing obligations on project owners of development projects to conduct environmental impact assessments and mitigation measures. The new Classification of Environmental Impact Assessment for Development Project took effect on 6 May 2025.
- Cambodia's first mandatory EPR scheme (regulating e-waste) took effect on 18 March 2025.
- Enforcement for environmental breaches has intensified, with the Minstry of Environment taking action (including factory suspensions) against over 30 polluters in early 2025.
- The above shows the increasing interest in developing an ESG legal framework and promoting responsible business practices in Cambodia.

A. ESG REPORTING

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

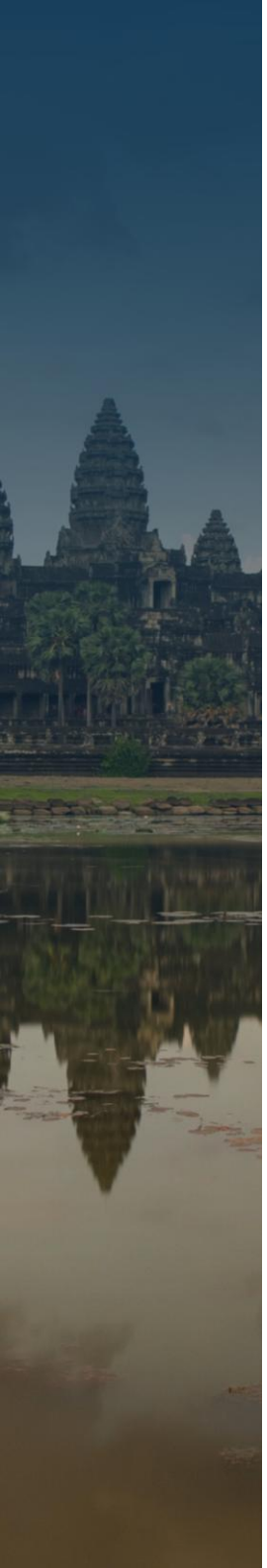
Listed Companies

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

Non-Listed Companies

To the best of our knowledge, there is presently no specific mandatory legislation or regulation focusing on ESG / sustainability disclosures for non-listed companies.

Legislative requirements on ESG disclosure in Cambodia are limited, and the understanding of ESG and its focus are varied, but there are various voluntary initiatives and significant upcoming developments for Listed Companies with the adoption of the Prakas on ESG Disclosure outlined in section A.2(b) below.



In addition, there are some regulatory frameworks that can be considered as supporting various aspects of ESG practices as described in section A.2 below for enterprises generally and for the securities and banking sectors.

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

Cambodia does not currently have a unified ESG code. Instead, the applicable regulations are fragmented and spread across various legislative instruments. This fragmented regulatory landscape can be synthesised as follows:

From a corporate governance perspective

(a) For all enterprises, regardless of sector:

All commercial enterprises incorporated in Cambodia are required to file public Annual Declarations of Commercial Enterprise (**ADCE**) pursuant to the Prakas on ADCE[1] to inform the Ministry of Commerce, among other things, of any changes to their management, directors and shareholding.

(b) For the securities sector:

(i) Corporate governance-related disclosure requirements apply to public limited companies and permitted entities (being a legal entity, other than a public limited company, incorporated in Cambodia, that is permitted in accordance with the provisions of the Law on the Issuance and Trading of Non-Government Securities (Securities Law) and other regulations to offer and issue securities to members of the public in Cambodia) which are or have been approved as an issuer or a listed company.

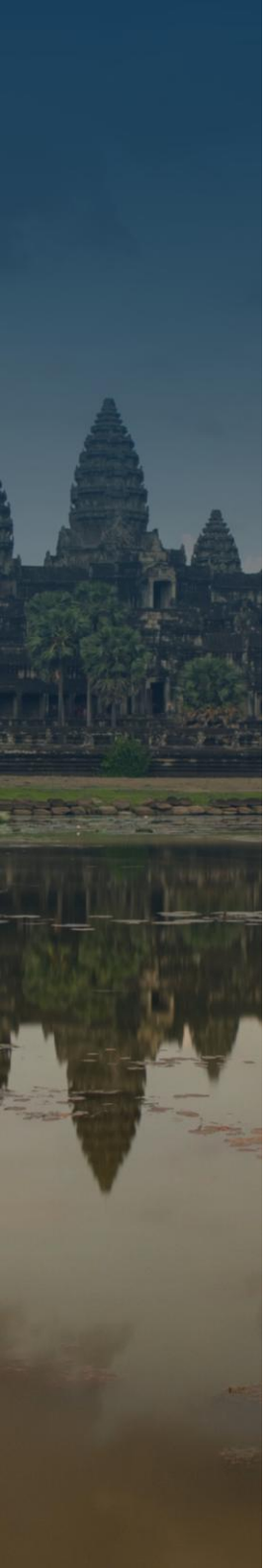
(ii) Listed companies are also required to notify investors of any changes to directors or key management of the company and to publish information on corporate governance.

(iii) Under the recently adopted Prakas on ESG Disclosure2, Listed Companies of the CSX will be required to make ESG disclosures, effective from 10 May 2026 (being 24 months after the adoption of such Prakas). Voluntary submission is encouraged during this interim period. 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, such as the key corporate social, environmental, and climate risks they have identified, 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.

(iv) These disclosures must be made publicly accessible and incorporated into the company's annual report in 2027, covering its key activities and targets and metrics of 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

[1] Prakas No. 107 on Annual Declaration of Commercial Enterprise, issued by the Ministry of Commerce on 5 April 2017 (**Prakas on ADCE**).

[2] 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**).



sustainability report, or include a statement providing a link to the sustainability report in their annual report.

(v) The Securities Exchange Regulator of Cambodia (SERC), formerly the Security and Exchange Commission of Cambodia, has 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 on green assets and projects, as well as the performance and implementation of such green assets and projects. However, the guidance is of a non-legally binding nature and is pending implementing regulations.

(vi) Cambodia has taken significant steps towards aligning with international ESG reporting standards by adopting IFRS S1 and IFRS S2. Both instruments 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. It is worth noting that despite the effective date, the scope of application depends on how the regulators implement the adoption. Based on our observations on their implementation, as of now, they apply on a voluntary basis and are intended to assist Listed Companies, significant banks, and entities required by law to produce CIFRS (Cambodian International Financial Reporting Standards) compliant annual financial statements, as well as major exporting manufacturers that have tailored their compliance specifically for exporting countries. It is planned that the full implementation of IFRS S1 and IFRS S2 will commence in 2030 or later, depending on the types of entities.

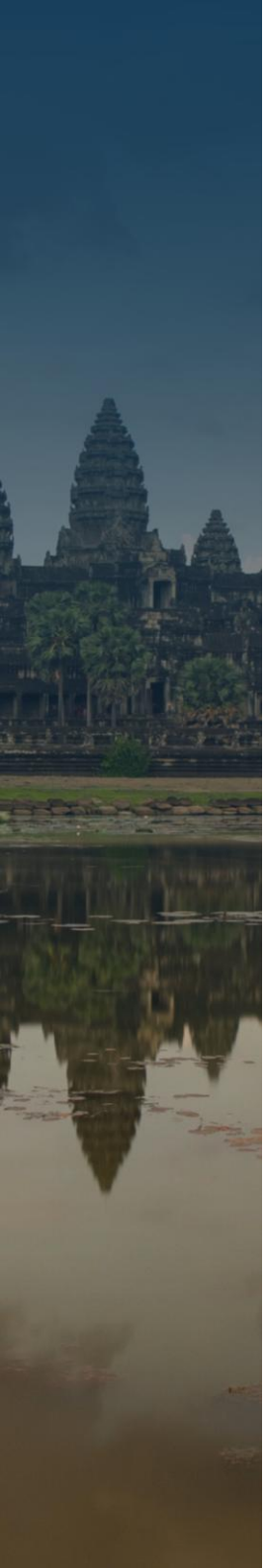
(vii) The adoption of IFRS S1 and IFRS S2 provides flexibility to companies that are subject to the Prakas on ESG Disclosure. Specifically, it allows them to prepare and present their sustainability reports by reference to IFRS S1 and IFRS S2 as a means of meeting the disclosure requirements outlined in the Prakas on ESG Disclosure, thus integrating their sustainability reporting into their annual reports. See also our response to section A.5 below.

(c) For the banking sector:

(i) The corporate governance requirements for banks and financial institutions are set out in the Prakas on Governance in Banks and Financial Institutions, Prakas on Fit and Proper Regulatory Requirements for Applying Entities and Licensed Banks and Financial Institutions, and Prakas on the Internal Control of Bank and Financial Institutions.

(ii) Any changes to the corporate governance (i.e., shareholders, directors, senior management etc.) of a bank or financial institution are subject to approval from or notification to the National Bank of Cambodia (which is not a disclosure to the public, unless they are listed companies as discussed in item (b) above).

(iii) The Association of Banks in Cambodia, the official organization 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/commitments as stated in the member's E&S policies.

From a social perspective

(d) For all enterprises, regardless of sector:

(i) Under the Prakas on Labor Self Inspection, [3] enterprises registered with the Ministry of Labor and Vocational Training must make a self-declaration twice a year to inform the ministry of, among other things, the working conditions and benefits provided to employees, the occupational health and safety framework in place, and the social security registration of the employees.

(ii) See also the social impact assessment for certain development projects as mentioned in section A.2(e) below.

From an environmental perspective

(e) For development projects, regardless of sector, which involve pollution sources, industrial zones, or natural resource development activities, e.g. mining, petroleum treatment, fuel storage, cement factory, battery manufacturing, and landfill:

(i) Environmental and social impact reporting requirements apply to an owner or person in charge of such projects, including periodic update reports to the Ministry of Environment (MOE).

(ii) An initial or full environmental and social impact assessment of the project also has to be conducted and submitted as a report to the MOE for projects falling under certain categories and thresholds[4], e.g. projects developed in a tourism area of more than fifty hectares.

(iii) These reports must address not only the environmental impacts but also social impacts, including but not limited to impacts on livelihoods of communities (that are dependent on natural resources), land use changes, as well as labour and working conditions.

(f) Requirements under the Code on Environment and Natural Resources[5]:

(i) Certain reporting and disclosure requirements in respect of a full or initial environmental impact assessment report:

- The MOE must ensure that information on a full or initial environmental impact assessment report is made public and that affected stakeholders and local communities can obtain sufficient and clear information.
- The project owners must publish at least one copy of the full or initial environmental impact assessment report as well as mitigation measures for the project.
- There are public participation and access to information rights on the project implementation, except for confidential information.

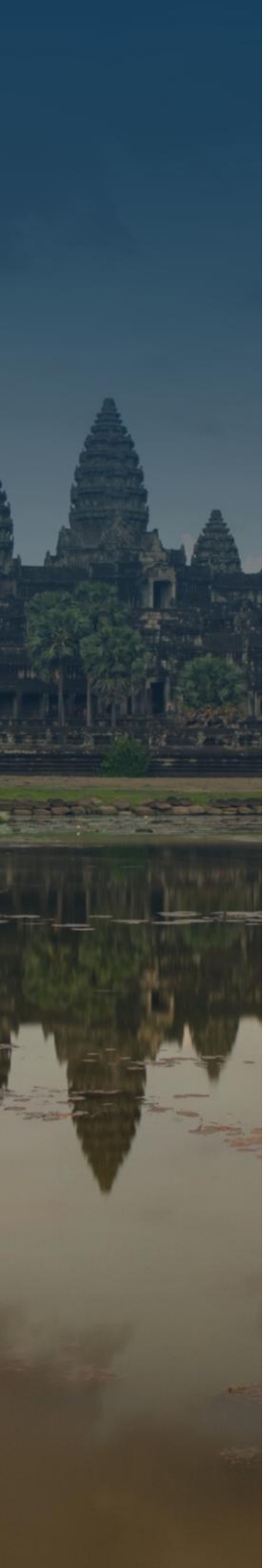
(ii) Climate change reporting requirements for development projects:

- Under the Code on Environment and Natural Resources, regulations will be developed on how data and information on climate change may be produced and managed, one of which could be

[3] Prakas No. 358/21 on the Launching of the Labour Self Inspection Regime and Labour Inspection Via Automated System, issued by the Ministry of Labour and Vocational Training on 30 December 2021 (**Prakas on Labour Self Inspection**).

[4] 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.

[5] 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**).



data/information on GHG emission reduction by project owners, although the Code on Environment and Natural Resources does not expressly provide for this.

- Project owners are required to report on "financing used for activities related to climate change" upon request by the MOE.

The Code on Environment and Natural Resources does not define the term "project owner" nor specify any sector, category and/or threshold for the project.

(iii) Environmental disclosures by site owners engaged in production, commercialisation, or services that discharge waste at high risk of environmental pollution:

- 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. There will be regulation on the types of entities that are subject to this immediate data report obligation.
- An environment pollution control register will be created by the MOE and be accessible to the public in downloadable form.

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

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

The requirements under the Prakas on ESG Disclosure will become mandatory with effect from 10 May 2026.

4 Which aspects of ESG do the requirements focus upon?

In light of our answer to section A.2 above:

(a) In general, for any sector — the focus is primarily on the disclosure of corporate governance and social aspects.

(b) For the securities sector — the focus is on the disclosure of corporate governance, environment risks, and corporate social risks.

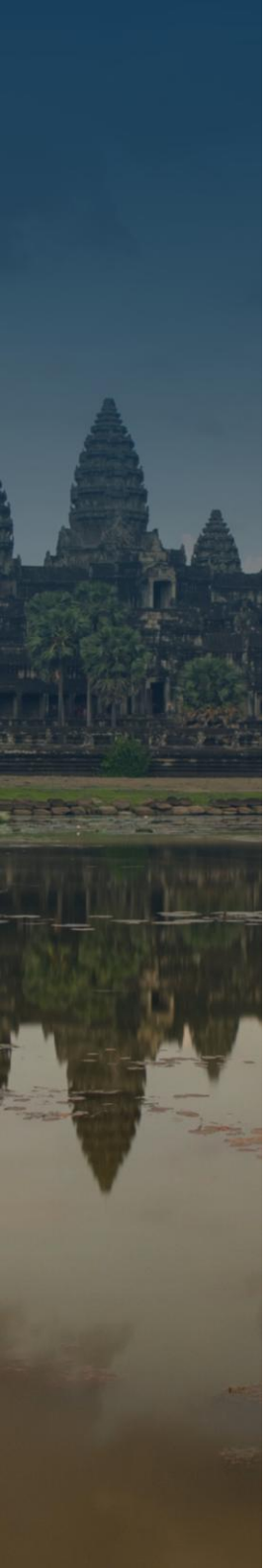
(c) For the banking sector — the focus is on the disclosure of corporate governance. For banks and financial institutions which are part of the CSFI, the focus is also on environmental and social aspects.

(d) For infrastructure 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)?

There is no information available to the public to confirm whether any of the requirements mentioned in section A.2 above are based on any international standards.

However, the Prakas on ESG Disclosure stipulates that sustainability reports that are based on "international recognised frameworks and standards" will be considered compliant with the reporting template prescribed under such Prakas. It is understood from the intention of the drafter of the Prakas on ESG Disclosure 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.



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

There is no information available to the public to confirm the materiality approach under the requirements mentioned in section A.2 above.

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) will be mandatory for Listed Companies, while Scope 3 will be supplementary/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 "international 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 provide for requirements for the disclosure of GHG emissions. However, as mentioned in section A.2(f) above, as part of a climate change reporting requirement, data and information on climate may be further regulated, which could include information on GHG emissions.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce 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

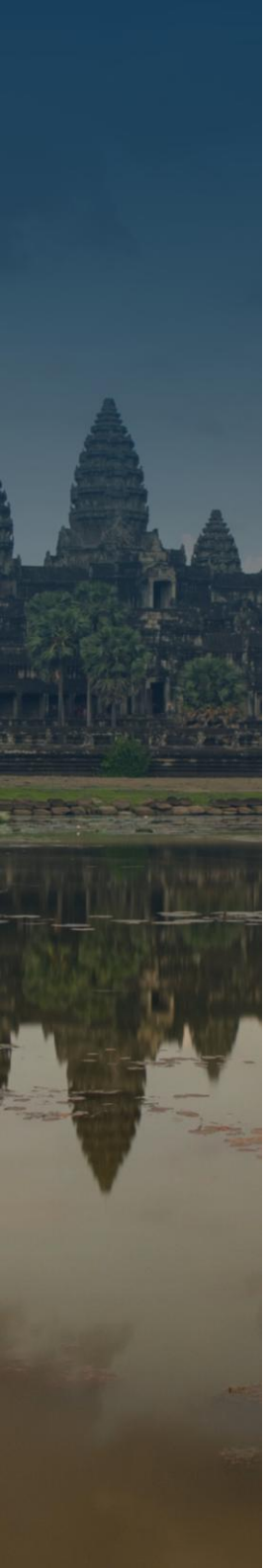
Current laws/regulations do not impose requirements on independent assurance of any ESG disclosure. However, in order to fulfil certain requirements described in section A.2(e) above, an accredited service provider has to be retained, e.g. to conduct "a full environmental and social impact assessment" and prepare a report on such for submission to the MOE.

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 or adopted a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

The ASEAN Taxonomy on Sustainable Finance is a legally non-binding guide developed by the



ASEAN Taxonomy Board (**ATB**), with Cambodia, being an ASEAN member state (**AMS**), represented on the ATB.

The two core elements of the taxonomy are:

(a) the "foundation framework" (applicable to all AMS) that provides for a qualitative assessment of activities, and the "Plus Standard" with metrics and thresholds to further qualify and benchmark eligible green activities and investments; and

(b) the environmental objectives (universal and applicable to all AMS) to be implemented in alignment with national environmental laws, and to include climate change and adaptation, the protection of a healthy ecosystem and biodiversity, and the promotion of resource resilience and transition to a circular economy.

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, such a national ESG taxonomy has been in the government's pipeline. The National Bank of Cambodia, in partnership with the International Finance Corporation, has been developing a draft Sustainable Finance Taxonomy, with a public consultation in April 2025. The draft taxonomy serves as a classification system for sustainable economic activities and investments, focusing on three priority sectors: energy, construction, and transport. The adoption timeline for the draft taxonomy remains undisclosed, as it is still under public consultation. Further revisions will be made based on input from relevant stakeholders, including sectoral authorities, financial institutions, associations, and investors.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

To the best of our knowledge, we are not aware of any other plans to adopt other international frameworks, except the IFRS S1 and IFRS S2 (which are discussed in section A.2(b)(iv) above).

12 Other upcoming developments / direction of travel

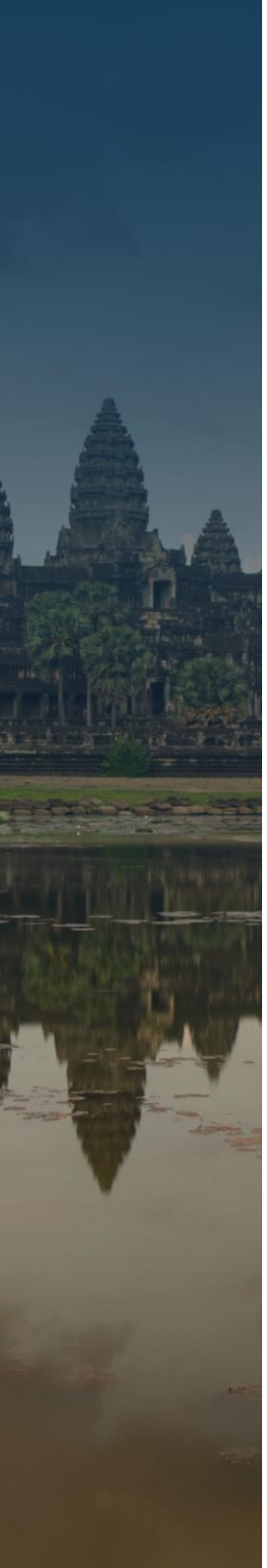
The government is currently developing the Guideline on ESG Disclosures, following the adoption of the Prakas on ESG Disclosure, as outlined in section A.2(b)(iii). A public consultation was conducted in July 2025 to gather feedback from key stakeholders, particularly related authorities and Listed Companies. A timeline for finalisation of the guideline has not yet been set, as further technical input is still required from relevant ministries.

To the best of our knowledge, there is currently no proposal to mandate businesses in Cambodia to conduct human rights or environmental due diligence throughout their supply chain. 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 the project (with mitigation measures).

B. TRANSITION PLANNING

1 Has your jurisdiction set 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 Megatons of Carbon Dioxide Equivalent (MtCO2e). This leads to a lower estimate of total GHG emissions, at around 35 MtCO2e less in 2020 compared to the Nationally Determined Contribution.



The collection of baseline emissions information in LTS4CN is based on the following 5 key sectors (with key mitigation actions for each sector):

(a) Agriculture;

(b) Forestry and Other Land Use;

(c) Energy;

(d) Transportation; and

(e) Waste.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Carbon Pricing

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 that Cambodia is offering.

Among other carbon credit projects, Cambodia is implementing the three REDD+ projects below with USD11.6 million sale proceeds:

(a) Keo Seima;

(b) Southern Cardamom; and

(c) Prey Lang.

Polluter Pays Principle

The Polluter Pays Principle (**PPP**) is gaining traction within Cambodia's environmental governance framework. While not yet uniformly applied across all sectors, key elements of the PPP are being incorporated through emerging policies and legislations. Notably, with the recent enactment of the Code on Environment and Natural Resources, which took effect on 29 June 2024, the PPP is now legally embedded as a foundational principle. Article 13 provides that "all persons who cause harm to the environment shall bear the cost of repairing the damage and for measures to prevent, avoid, and mitigate the harm", thereby establishing clear liability for environmental harm. While implementation across sectors remains uneven, the legal codification marks a significant step and provides a legal basis for future enforcement.

(d) Legal Liability and Compensation

The Code on Environment and Natural Resources provides a clear framework for holding polluters financially responsible for the consequences of their actions. It outlines that individuals or businesses responsible for environmental harm, especially involving hazardous substances, must provide compensation for any damage to health, property, or the environment. Additionally, in the case of spillage or leakage of dangerous materials, the law requires full restoration of the affected area and compensation for any resulting harm.

(e) Environmental Pollution Payments

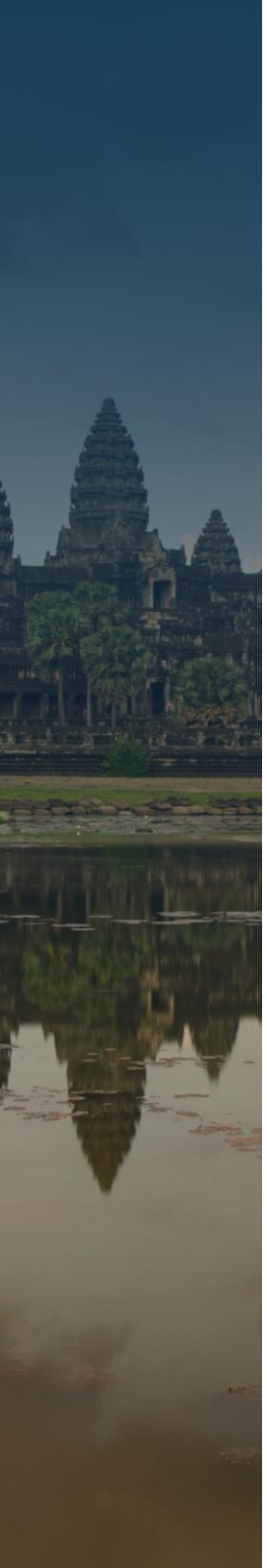
The Code on Environment and Natural Resources introduces a waste deposit payment system, requiring users of hazardous products to pay a deposit refundable upon safe return/disposal.

It also mandates pollution payments from entities producing or using hazardous substances, with payment rates to be set by inter-ministerial prakas.

(f) Permitting and Operational Standards

To regulate pollution at the source, the Code on Environment and Natural Resources expressly requires compliance with a mandatory waste discharge and commercialisation permit regime for solid waste, hazardous waste, liquid waste, air pollutant discharge, and/or noise and vibration release.

(g) Technical Staff Requirement



Businesses are required to appoint certified specialists or technical staff responsible for managing pollution control systems, equipment, and discharge operations, thereby institutionalising professional accountability for pollution management.

Recognition of such staff is to be governed by ministerial prakas to be issued by the MOE.

(h) Self-Monitoring and Reporting Requirements

The Code on Environment and Natural Resources introduces mandatory self-control obligations for entities involved in high-risk activities. Project/business site owners must implement on-site environmental pollution controls, in compliance with applicable laws.

Self-reporting mechanisms reinforce proactive compliance and transparency in environmental performance.

(i) Enforcement Actions

MOE has intensified enforcement, taking legal action against over 30 polluters for environmental breaches in early 2025. Measures included factory suspensions, warning letters, and pending fines. Announced via the MOE's Facebook page, these actions show increased enforcement of environmental regulations. Additionally, per MOE's spokesperson, around 50 facilities have agreed to install automated monitoring systems to prevent future environmental pollution and high-risk waste discharges.

EPR schemes

In parallel, efforts are progressing to establish mandatory EPR schemes, particularly focused on plastics, packaging waste, and e-waste management, to strengthen the effectiveness of national waste management systems.

A significant legal milestone was reached on 18 March 2025 with the issuance of 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,[6] introducing Cambodia's first mandatory EPR obligation. This 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.

Although strategic environment-related policy frameworks, such as the 2021 National Circular Economy Strategy and Action Plan and the Sustainable Consumption and Production Roadmap 2022–2035, have endorsed EPR, the practical implementation has been limited, with delays in transitioning from roadmap goals and voluntary initiatives to mandatory, enforceable regulations across different sectors in general.

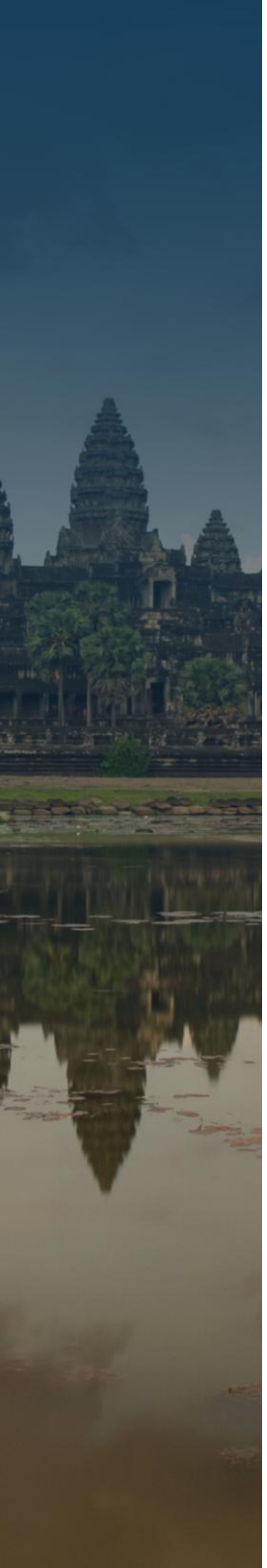
In summary, Cambodia's legal and policy trajectory is gradually aligning towards a national EPR system, with the Prakas on EPR for E-Waste marking the first binding obligation.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

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

Please see sections A.2(f) and A.7 above on the Code on Environment and Natural Resources. It

[6] 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**).



is possible that mandatory requirements for transition plans and/or their disclosure may be set out in future regulations of the Code on Environment and Natural Resources.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

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

It is, however, possible that such mandatory requirements may be set out in future regulations of the Code on Environment and Natural Resources as noted in sections A.2(f) and A.7 above.

5 Other upcoming developments / direction of travel

Following the adoption of Prakas on EPR for E-Waste, Cambodia has made progress through stakeholder engagement and pilot programmes. In early 2025, a United Nations Development Programme-led policy dialogue highlighted the importance of making EPR mandatory for plastic waste. A draft sub-decree on plastic management is currently under review, which is expected to include controls on single-use plastics and EPR components.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

To the best of our best 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 deceiving 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[7]

(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.8

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

Greenwashing may be claimed under the following grounds:

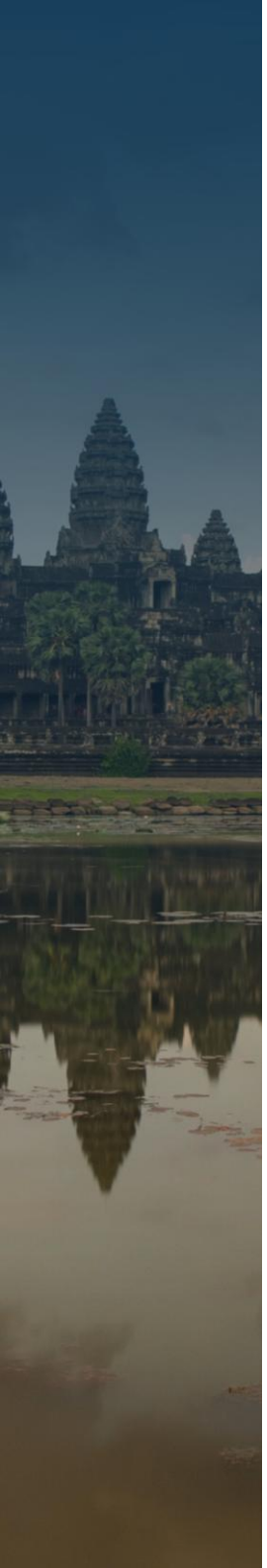
(a) Misrepresentation under the Civil Code;

(b) Fraud under the Criminal Code;

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

[7] Article 41 of the Securities Law

[8] Article 42 of the Securities Law



(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 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.

4 Other upcoming developments / direction of travel

To the best of our knowledge, we are not aware of any upcoming developments other than as noted above.

HONG KONG

Contributing law firm:
Slaughter and May

Contact:
Lisa Chung, Partner

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

ESG in APAC – Hong Kong
By Slaughter and May

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Reporting remains a regulatory focus as Hong Kong considers sustainability information aligned with the global ISSB Standards to be a key part of propelling its status as a sustainable finance hub.
- Hong Kong became one of the first jurisdictions to align its climate reporting requirements with IFRS S2, with requirements for listed companies taking effect from 1 January 2025.
- A pathway has been announced for publicly accountable entities to report sustainability-related (i.e. not just climate-related) information against the ISSB Standards from 2028, starting with large listed companies and financial institutions with a significant weight in Hong Kong.
- Requirements on transition planning are expected to move beyond reporting. A policy manual on transition planning for the banking sector and a mandatory EPR scheme for producers of plastic beverage containers are being developed.

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. The climate-related aspects have been significantly enhanced from 1 January 2025 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 "authorized 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?

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. The new climate disclosure rules 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 new climate disclosures (including Scope 3 emissions):

(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.

While the HKMA Climate Module is not a mandatory guideline, an authorized institution's non-compliance can potentially be taken into account when assessing whether it has conducted its business with prudence and professional competence. The HKMA expects authorized institutions to make TCFD-aligned disclosures but will take a proportionate approach - depending on factors such as the significance of the authorized institution's Hong Kong operations, 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.

[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.

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.

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

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

"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 authorized 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 required on a comply-or-explain basis for all Main Board-listed companies, but will become mandatory for Large Cap Issuers with effect from 1 January 2026.

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

Authorized 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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

Assurance is encouraged, but 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 is expected to launch a consultation in 2025 on a regulatory framework for sustainability assurance, including the registration of assurance providers, the implementation of assurance and ethics standards, and the establishment of the related regulatory regime.

It is currently unclear whether, and if so, to what extent, mandatory assurance requirements will apply.

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 or adopted a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

While there is no mandatory taxonomy, the HKMA has issued a local taxonomy (referencing the EU-Mainland Common Ground Taxonomy, amongst other frameworks). The taxonomy currently covers certain activities in the following sectors: power generation, transportation, waste management, and construction.

It was announced in early 2025 that the expansion of the taxonomy is one of three key priorities to foster a sustainable finance market in Hong Kong, with plans to include transition elements and to add new sustainable activities.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

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 IFRS S1 and IFRS S2.

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 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 and standards, including the ISSB Standards and the Basel Committee on Banking Supervision's Pillar 3 disclosure framework for climate-related financial risks, and will undertake a consultation on the adoption of these standards.

In May 2025, a consultation was launched by the Agriculture, Fisheries and Conservation Department on updating Hong Kong's Biodiversity Strategy and Action Plan. The consultation raised the possibility of encouraging enterprises to take proactive steps in disclosing biodiversity-related risks, dependencies and opportunities. However, there is as yet no specific proposal on this.

12 Other upcoming developments / direction of travel

There will be continued focus on enhancing sustainability reporting requirements. 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.

Assurance requirements are also expected to come into play, with a forthcoming consultation on this topic.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes, 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 or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

EPR schemes anchored by the "polluter pays" principle are being progressively introduced. Schemes covering e-waste and glass containers are in place, with legislative proposals underway to cover manufacturers and importers of plastic beverage containers and beverage cartons (with implementation planned for 2026 at the earliest).

The Promotion of Recycling and Proper Disposal of Products (Miscellaneous Amendments) Bill 2025 was passed in July 2025 to establish a common legislative framework for EPRs applicable to different products, facilitating the progressive inclusion of various products in the future.

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 companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

There is no mandatory requirement to have a transition plan. However, there are certain disclosure requirements related to transition planning:

(a) The HKEX Climate Disclosure Rules require a listed company (subject to the phased implementation outlined in section A.3) to disclose information about how it 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.

(b) Under the HKMA Climate Module, authorized institutions are expected to disclose any transition plans they have.

The HKMA has issued some high-level principles to assist authorized institutions to plan for a net-zero transition and a set of Good Practices on Transition Planning. However, there are plans for more robust requirements relating to transition planning for the banking sector. The HKMA issued its Sustainable Finance Action Agenda in October 2024, setting out various goals for banks, including that all banks should:

(a) strive to 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 aims to finalise a new Supervisory Policy Manual module on "Transition Planning" in 2025 to set out its expectations on how

authorized institutions should manage and address the risks associated with the net-zero transition, including how they should fulfil the net-zero goals mentioned above.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, 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 (subject to the phased implementation mentioned above) 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.2, EPR schemes are being developed, which will introduce statutory recycling targets for producers of plastic beverage containers and beverage cartons.

5 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 a new Supervisory Policy Manual module on net-zero transition planning (as mentioned in section B.3);

(b) mandatory EPR schemes are being progressively introduced, impacting producers of certain products (as mentioned in section B.2);

(c) for the aviation sector, a policy whitepaper on a Sustainable Aviation Fuel Strategy for Hong Kong was issued in November 2024. In his 2024 Policy Address, the Chief Executive plans to set a Sustainable Aviation Fuel consumption target within 2025.

Hong Kong is also taking action to promote cleaner fuel. A Strategy on Hydrogen Development in Hong Kong was issued in June 2024. A bill providing for the safe use of hydrogen is going through the legislative process, with subsidiary legislation planned in 2026 to regulate the entire supply chain of hydrogen as fuel. For the shipping sector, the Hong Kong government issued an Action Plan on Green Maritime Fuel Bunkering in November 2024, setting out strategies and actions to develop Hong Kong into a green maritime fuel bunkering centre, which includes plans for tax exemption and other incentives to encourage green maritime fuel adoption.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

No.

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

No, but some guidance does exist. 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 authorized institutions. It seeks to ensure that such products and related funds are managed in a way that is consistent with the authorized 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 greenwashing 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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Khaitan & Co

Contact:
Pavi Jain, Partner
Jyoti Sinha, Partner

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

ESG in APAC – India
By Khaitan & Co

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Disclosure requirements for listed companies were recalibrated to ease value chain reporting and assurance requirements.
- New regulations were issued for ESG-labelled debt securities, with disclosure and verification requirements for social, sustainability and sustainability-linked bonds.
- A local climate finance taxonomy is under development, with the release of a draft framework.
- Detailed compliance procedures were notified under the carbon credit trading system, operationalising the Indian carbon market.
- Draft rules were issued, proposing enforceable emission intensity targets for approximately 460 industrial units.
- Greenwashing guidelines were made binding for all advertisers, mandating substantiation of environmental claims and introducing penalties for violations.

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.

(a) The Indian securities market regulator - the Securities and Exchange Board of India (**SEBI**) - has, pursuant to an amendment to the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015, mandated the top 1,000 publicly listed companies (by market capitalisation) to make annual ESG disclosures under the Business Responsibility and Sustainability Report (**BRSR**) framework.

The structure of the BRSR is segregated into essential (mandatory) and leadership (voluntary) indicators. Disclosures on the company's value chain are voluntary.

(b) SEBI also introduced an additional subset of BRSR disclosures, namely the BRSR Core (as defined below), 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**). As part of the BRSR Core framework, SEBI introduced a dedicated 'value chain' disclosure framework (**Value Chain Framework**), requiring the top 250 publicly listed companies (by market capitalisation) to make ESG disclosures for their value chain. Further detail on BRSR Core is set out in section A.3 below.

(c) 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'. The ESG Debt Securities Framework supplements the SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021, which recognises ESG Debt Securities (a term that encompasses 'Green Debt Securities' as well as other ESG-labelled instruments) as a distinct class of debt instruments.

(d) While 'Green Debt Securities' are separately governed 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, the ESG Debt Securities Framework specifically governs the other ESG-labelled instruments, namely 'Social Bonds', 'Sustainability Bonds', and 'Sustainability-linked Bonds'. Across all categories of ESG Debt Securities, SEBI has mandated certain disclosure requirements, which include: (i) disclosure of environmental and/or social objectives or rationale for issuing such bonds in the offer documents, (ii) ongoing performance disclosure, and (iii) verification of the utilisation of proceeds through an independent external review.

(e) SEBI has mandated mutual funds to disclose their ESG policies and practices in their offer documents.

(f) ESG disclosures are not currently mandated for private companies, public unlisted companies, limited liability partnerships, partnership firms, and other types of entities.

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

The disclosure requirements under the BRSR (save for the voluntary leadership indicators) are mandatory for the top 1,000 publicly listed companies (by market capitalisation).

SEBI introduced BRSR Core through its circular titled "BRSR Core – Framework for Assurance and ESG Disclosures for Value Chain", dated 12 July 2023 (**BRSR Core Circular**), as a subset of the broader BRSR framework. BRSR Core focuses on nine key ESG performance indicators and, except for "value chain" disclosures, apply on a mandatory basis to the top 1,000 publicly listed companies (by market capitalisation).

A key element of the BRSR Core framework is the Value Chain Framework, which 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 financial year (**FY**) 2024–25. The term 'value chain' was defined to include the in-scope company's top upstream and downstream partners, cumulatively accounting for 75% of its purchases or sales by value. A limited assurance requirement for value chain disclosures was to apply, also on a comply-or-explain basis, from FY 2025–26.

However, SEBI subsequently recalibrated the Value Chain Framework through its circular titled "Measures to facilitate ease of doing business with respect to framework for assurance or assessment, ESG disclosures for value chain, and introduction of voluntary disclosure on green credits", dated 28 March 2025 (**Revised BRSR Core Circular**). While the Value Chain Framework continues to apply to the top 250 publicly listed companies (by market capitalisation), the timeline and nature of the disclosure obligation has been revised: value chain disclosures are now to be made on a voluntary basis from FY 2025–26, with the corresponding assessment or assurance obligation applying, also on a voluntary basis, from FY 2026–27. There is currently no indication as to when these requirements will be upgraded from a voluntary to comply-or-explain basis.

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.

Separately, issuers of ESG Debt Securities in India are mandatorily required to appoint an independent third-party reviewer or certifier. For 'Green Debt Securities', 'Social Bonds', and 'Sustainability Bonds', the reviewer will evaluate the project selection process and verify the use of proceeds. For 'Sustainability-linked Bonds', the reviewer will assess the selected key performance indicators, sustainability performance targets, any related structural features, and the issuer's performance against such parameters.

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, extended producer responsibility, environmental impact assessments undertaken by the reporting companies, and general disclosures relating to the environmental impact of the in-scope companies' operations.

The nine key ESG reporting parameters under BRSR Core have been mentioned above.

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, UN Sustainable Development Goals, TCFD, Carbon Disclosure Project (**CDP**) and SASB.

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, the top 250 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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce 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 FY 2025-26, and will be extended to cover the top 1,000 publicly listed companies (by market capitalisation) from FY 2026-27 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.

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 or adopted a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

The (Indian) Department of Economic Affairs has, on 7 May 2025, released a 'Draft Framework of India's Climate Finance Taxonomy' (**Draft Taxonomy**), 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, etc.

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 European Union 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.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

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 TCFD) 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 draft guidelines on "Disclosure framework on Climate-related Financial Risks 2024" (**Draft Climate Disclosure Framework**) issued by the Reserve Bank of India (**RBI**), the apex bank of India, indicates the development of a climate disclosure framework, 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. See section A.12 below for more detail.

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. 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, which was open for consultation until 25 June 2025, 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.

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, we expect more alignment with global climate-related disclosures in the future, including that of ISSB.

Based on the RBI's Draft Climate Disclosure Framework, entities within scope of the framework will be required to disclose information about their climate-related financial risks and opportunities for the users of financial statements. It is proposed that the framework will apply to the following entities:

(a) scheduled commercial banks (excluding local area banks, payments banks and regional rural banks);

(b) tier-IV primary (urban) co-operative banks;

(c) all-India financial institutions (i.e. EXIM Bank, NABARD, NaBFID, NHB and SIDBI); and

(d) top and upper layer non-banking financial companies.

We understand that the RBI is in the process of finalising the framework.

Although India issued a Zero Draft National Action Plan on Business and Human Rights in 2018, there have been no official developments on the plan since then and no current proposals to introduce any mandatory human rights and/or environmental due diligence obligations on businesses.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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 less than 45%.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

CCTS

India has introduced a compliance-based carbon pricing tool under the 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 compliance mechanism 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 under procedures to be notified by the Central Electricity Regulatory Commission. Certificates may also be banked for future compliance. Non-compliance requires purchase or surrender of carbon credit certificates and may attract penalties.

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 (Indian) Ministry of Environment,

Forest and Climate Change issued the Draft Greenhouse Gas Emission Intensity Target Rules 2025 (**Draft GEI Target Rules**) on 23 June 2025, proposing mandatory GHG intensity targets for approximately 460 industrial units across key sectors, including aluminium, iron and steel, petroleum refining, petrochemicals and textiles. These targets will 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 (Indian) Central Pollution Control Board (**CPCB**) in the form of an environmental compensation, equivalent to twice the average carbon credit price, payable within 90 days. The Draft GEI Target Rules are yet to be notified and are expected to be finalised post-stakeholder consultations.

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

EPRs

In parallel, India continues to strengthen its "polluter pays" and circular economy frameworks through expanded EPR rules. In recent years, India has notified and/or updated mandatory EPR rules covering: (a) plastic packaging waste, (b) e-waste, (c) battery waste, and (d) hazardous wastes including used oil.

The EPR frameworks impose mandatory disposal / recycling targets, and registration and traceability requirements through a centralised portal, as well as environmental compensation penalties for non-compliance. Businesses operating within the sectors covered by such EPR regimes must ensure product stewardship and lifecycle management as a part of their environmental compliance obligations.

3 **Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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 Draft 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 will form part of the legally binding requirements applicable to 'Obligated Entities'. The Draft GEI Target Rules are yet to be notified and are expected to be finalised post-stakeholder consultations.

In addition, Section 134(m) and Section 134(o) of the (Indian) Companies Act 2013 require that the director's report of a company should include details on conservation of energy and corporate social responsibility initiatives undertaken during the year.

4 **Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?**

Presently, companies are not 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, set by relevant authorities.

Performance against these targets must be demonstrated through verified emissions data, failing which, the entity will be required to

purchase or surrender carbon credit certificates. This marks India's first enforceable framework for GHG target-setting at the entity level.

With the introduction of the Draft GEI Target Rules, the compliance obligations are sought to be implemented. The Draft GEI Target Rules set out specific emission intensity reduction targets for approximately 460 industrial units (in its initial phase), covering compliance years 2025–26 and 2026–27. As mentioned above, in case an 'Obligated Entity' fails to comply with GEI targets or fails to submit the carbon credit certificates equivalent to the shortfall for compliance, CPCB will impose environmental compensation on such 'Obligated Entity' 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.

Carbon credits will be calculated based on the following formula: '(GEI Target – GEI Achieved) × Total Production Volume'. Surplus carbon credits may be banked for future use.

Separately, mandatory renewable energy obligations have been prescribed under the (Indian) Electricity Act 2003, which require specific consumers (e.g. power distribution companies and captive consumers) to procure a percentage of electricity from renewable sources. 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. Under the (Indian) Energy Conservation Act 2001, as amended in 2022, a proviso has been introduced to Section 14A of the principal Act to provide that any other person (other than designated consumers) may also purchase energy savings certificates on a voluntary basis.

5 Other upcoming developments / direction of travel

India is rapidly accelerating the rollout of its domestic carbon market architecture. Since mid-2024, both the compliance and voluntary offset mechanisms under the CCTS have entered advanced stages of implementation. The introduction of the Draft GEI Target Rules reflects a major milestone, which confirms the Indian government's intent to begin active implementation of GHG reduction targets starting from 2025–26, with quantifiable penalties for non-compliance. As noted earlier, the Draft GEI Target Rules are yet to be notified and are expected to be finalised post-stakeholder consultations. Separately, guidelines to monitor, report and verify emissions are also proposed to be formulated.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing 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 incorporated under the (Indian) Companies Act 2013, 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.

While decisions of the ASCI are non-binding, the (Indian) Central Consumer Protection Authority (**CCPA**) formed under the Consumer Protection Act 2019 has requested the ASCI to forward any advertisements that are non-compliant with the ASCI Code and which could potentially violate the (Indian) 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 though appropriate disclosures backed by verifiable evidence. Any contravention of the CCPA Guidelines is considered to be a violation of the (Indian) Consumer Protection Act 2019 and is punishable by imprisonment and a fine.

Separately, SEBI has introduced stringent disclosure requirements (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) 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 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.

(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 / 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. However, the risk is expected to increase as reporting requirements become more robust and action in relation to false / misleading environmental and green claims under the (Indian) Consumer Protection Act 2019 increases in view of the ASCI Guidelines and the CCPA's focus on greenwashing.

INDONESIA

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

ESG in APAC – Indonesia
By SSEK Law Firm

YEAR IN REVIEW

(1 July 2024 to 30 June 2024)

- Sustainability disclosure standards based on IFRS S1 and S2 have been finalised by the Indonesian Sustainability Standards Board. Full implementation will begin 1 January 2027, with a three-year transition period. The standards mandate climate-related disclosures, while reporting on other sustainability topics (beyond climate) remains voluntary.
- Local content rules for solar power projects have been temporarily relaxed for eligible projects.
- The Roadmap for the Energy Transition in the Power/Electricity Sector has been issued, setting out a path to reduce emissions, retire coal-fired power plants early, and boost renewable energy transition. In parallel, Indonesia's mandatory emission trading system is due to expand to cover more power plants later this year.

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 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 generally imposes the obligation for financial service institutions, issuers and public companies to implement sustainable finance and to submit a Sustainability Report, either as part of their annual report or as a stand-

alone 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 June 29, 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. For example:

(i) the annual report shall include a list of industry associations (national or international) related to the implementation of sustainable finance;2

(ii) the annual report shall disclose, among other things, the actions taken by the company as part of its social and environmental responsibility. This disclosure shall be 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);
- brief profile of the publicly listed company;
- Board of Directors' remarks;
- sustainable governance;
- sustainable performance;
- written verification from 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 Organization and Significant Corporate Activities of State-Owned Enterprises (dated 24 March 2023) (**MSOE Reg. 2/2023**). State-owned enterprises (**SOEs**) 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 programs.[4] These reports must also be made accessible to the public.[5] A sustainability report may be drafted as part of the aforementioned publicized annual report.[6]

(e) Presidential Regulation No. 60 of 2023 regarding the National Strategy on Business and Human Rights (dated 26 September 2023) (**PR 60/2023**). This regulation requires the Regional Business and Human Rights Task Force, the National Business and Human Rights Task Force, and the Ministry of Law and Human Rights (**MOLHR**) to report on the implementation and outcome for Business and Human Rights Actions (**BHAM Action**).

BHAM Action refers to strategies and steps that elaborate on the National Strategy on Business and Human Rights, which serve as guidelines for stakeholders, e.g. government organs, institutions, agencies and business actors, to improve the protection, respect and remedy of human rights. This reporting is to take place in the following sequence:

(i) The Regional Business and Human Rights Task Force reports the outcome of the BHAM Action implementation to the

[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.
[5] Art. 221(2)(c), MSO Reg. No. 2/2023.
[6] Art. 221(3), MSO Reg. No. 2/2023.

National Business and Human Rights Task Force (**GTN BHAM**);7

(ii) GTN BHAM reports the outcome of the BHAM Action implementation to the MOLHR;8

(iii) the MOLHR reports the outcome of the BHAM Action implementation to the President of the Republic of Indonesia.9

These reports will be published and therefore will be accessible to the public.[10] It is important to note that PR 60/2023 merely serves as a roadmap and national strategy for the formulation of binding regulations to be issued in the future.

(f) 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.[11] 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 envisaged in the abovementioned regulations are mandatory, with the exception of the sustainability report referred to in MSOE Reg. 2/2023. Non-compliance with the aforementioned disclosure requirements is sanctionable, save for those required under PR 60/2023.[12]

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 disclosure requirements are not based on international standards. However, the following points should be kept in mind:

(a) reference to international standards is possible when preparing Sustainability Reports pursuant to OJK Reg. 51/2017 and OJK CL 16/2021.[13] The information in the section of the Sustainability Report referred to in section F.25 of Appendix II to OJK CL 16/2021 is to be disclosed with reference to the 17 UN Sustainable Development Goals; and

(b) PR 60/2023 is based on the UN Guiding Principles on Business and Human Rights: Implementing the UN Protect, Respect and Remedy Framework (**UNGPs**). As such, the contents of reports made pursuant to this regulation will reflect the standards of the UNGPs.

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.[14] However, no explicit guidance is provided in MSOE Reg. 2/2023 or PR 60/2023

[7] Arts. 7(5)(c), 12(1), PR 60/2023.
[8] Arts. 5(d), 12(1), PR 60/2023.
[9] Art. 12 (2), PR 60/2023.
[10] Art. 12(3), PR 60/2023.
[11] Art. 66(2), Law No. 40/2007.
[12] Art. 13, OJK Reg. 51/2017; Art. 75, MSOE Reg. 2/2023.
[13] Page 6, Annex II, OJK CL 16/2021.
[14] 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.

regarding the particular approach to be applied with respect to the disclosure requirements.

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.

A Sustainability Report prepared pursuant to OJK Reg. 51/2017 and OJK CL 16/2021 must disclose the amount of emission reduction produced by financial institutions, issuers and public companies through their business activities directly related to the environment.[15] Such entities must also disclose their Scope 1 (specifically regarding consumption of fuel), Scope 2 (specifically regarding usage of electricity) and Scope 3 (specifically regarding official travel by flight) emissions.[16] While no specific methodology was designated for these disclosures, international standards may be employed and identified in the Sustainability Report.[17]

Save for the above, it is worth noting that the current legal landscape in Indonesia often does not distinguish between the different scopes of GHG emissions. Bearing this in mind, the following regulations are also noteworthy in this context:

(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**) by 1 January 2023.

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.

For instance, in the thermal power generation sector, MOEF Regulation No. P.15/MENLHK/SETJEN/KUM.1/4/2019 Tahun 2019 regarding Emission Quality Standards for Thermal Power Plants (dated April 23, 2019) (**MOEF 15/2019**) requires a party operating a thermal power plant to report the calculation of emission load produced, which includes GHG emissions on a scheduled basis.[18] The monitoring of such emissions is to be done using CEMS or manual calculations (i.e. a testing laboratory).[19]

(b) Presidential Regulation No. 98 of 2021 regarding the Implementation of Carbon Economic Value to Achieve Nationally Determined Contribution Targets and Control Over Greenhouse Gas Emissions in Relation to National Development (dated October 29, 2021) (**PR 98/2021**) requires business actors, regents/mayors, governors and relevant ministries to report on corporate, sectoral, regency/city and provincial GHG emissions for purposes of inventorying GHG emissions in the context of implementing climate change mitigation acts to achieve Indonesia's targeted NDCs.[20]

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

[15] Section A(2)(b)(2), Appendix II, OJK Reg. 51/2017.
[16] Page 11, Appendix II, OJK Reg. 51/2017; page 40, section F11, Appendix, OJK CL 16/2021.
[17] Page 41, Appendix, OJK CL 16/2021.
[18] Arts. 17-20, MOEF 15/2019.
[19] Art. 8; Appendix XV, MOEF 15/2019.
[20] Arts. 9(a), 11(2), 12, PR 98/2021.

Framework Convention on Climate Change or the Intergovernmental Panel on Climate Change.[21]

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

Independent assurance of ESG disclosures is encouraged but not mandatory. While one of the minimum requirements for the Sustainability Report, pursuant to OJK Reg. 51/2017 and OJK CL 16/2021, is written verification from independent parties, this requirement is accompanied by the qualifier "if any".

MSOE Reg. 2/2023 and PR 60/2023 do not explicitly require independent assurance for ESG disclosures by SOEs, Human Right Task Forces or the MOLHR.

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 (oil and gas, mining, etc.) have issued sustainability reports even though it is not mandatory.

10 Has your jurisdiction issued or adopted 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 sectors outlined in Indonesia's Enhanced NDCs document, specifically: energy, forestry and other land use, waste, agriculture, and industrial activities.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

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.[22]

The SPK will apply to both public and private companies, though the precise scope of entities that would have to apply the standards has not yet been confirmed and may evolve along the SPK implementation over time. In the earlier SPK roadmap, the DSK IAI also acknowledged disparities in company readiness and size, as well as a need for simplified standards for private entities and micro, small, and medium-sized enterprises.[23] Its implementation will be overseen by the Sustainable Finance Committee, which will include the Ministry of Finance, OJK, and Bank Indonesia. As the committee has not yet been established, DSK IAI anticipates that the OJK will continue to oversee the existing sustainability reporting framework and support the interim implementation of the SPK. DSK IAI also expects the OJK to begin planning the revision of OJK Reg. 51/2017, to incorporate references to the SPK as the basis for preparing sustainability reports.[24]

[21] Art. 10 (6), PR 98/2021.

[22] https://web.iaiglobal.or.id/Berita-IAI/detail/dsk_iai_sahkan_standar_pengungkapan_keberlanjutan_pspk_1_dan_pspk_2#gsc.tab=0.

[23] Page 16, Para 41, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.

[24] Page 17, Para 43, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.

The SPK consists of two components: Statement of Sustainability Disclosure Standards 1 on General Requirements for Disclosure of Sustainability-related Financial Information (**PSPK 1**) and Statement of Sustainability Disclosure Standards 2 on Climate-related Disclosures (**PSPK 2**).

PSPK 1 and PSPK 2 are substantially aligned with IFRS S1 and IFRS S2, respectively, with slight modifications.[25] 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.[26]

PSPK 1 and PSPK 2 will come into effect on 1 January 2027,[27] with an option for early voluntary adoption. A three-year transition period will be provided to allow entities to gradually comply with the standards.[28] If an entity opts for early adoption of PSPK 1, it must disclose this fact and adopt PSPK 2 concurrently.[29]

Once the SPK becomes effective, disclosure of climate-related information will be mandatory. Disclosure of non-climate-related sustainability information, however, will remain voluntary.[30]

During the transition period, PSPK 2 allows entities to use alternative methodologies, other than the GHG Protocol, to measure greenhouse gas emissions. Unlike IFRS S2, entities are not required to disclose Scope 3 emissions during this period.[31] At the end of the three-year transition, the DSK IAI will conduct a review to determine whether disclosure of Scope 3 emissions should be mandated.[32] Note that the ISSB is in the process of amending IFRS S2, particularly to ease Scope 3 requirements. To date, DSK IAI has not indicated whether it will adopt these amendments once finalised.

To support implementation, a Sustainability Disclosure Standards Roadmap has been developed. This roadmap outlines a phased adoption approach and aims 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 2026.[33]

Following the SPK's implementation 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. 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.[34]

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,[35] the State Electricity Company, PT PLN (Persero) (**PT**

[25] https://web.iaiglobal.or.id/Berita-IAI/detail/ratification_of_exposure_draft_sustainability_disclosure_standards#gsc.tab=0.
[26] Page iv, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%201%20-%20Draf%20Eksposur.pdf.
[27] The effective date for IFRS S1 and IFRS S2 is 1 January 2024; Page 2, https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/project-summary.pdf.
[28] IFRS S1 and IFRS S2 has a one year transition period; Page 6, https://www.ifrs.org/content/dam/ifrs/project/general-sustainability-related-disclosures/project-summary.pdf.
[29] Page ix, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%201%20-%20Draf%20Eksposur.pdf.
[30] Page 7, Para 1-2, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.
[31] Page vi, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%202%20-%20Draf%20Eksposur.pdf.
[32] Page viii, https://web.iaiglobal.or.id/assets/files/file_sak/exposure-draft/PSPK%202%20-%20Draf%20Eksposur.pdf.
[33] Page 21, Illustration 1, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.
[34] Page 14-15, Para 29, https://web.iaiglobal.or.id/assets/files/file_sak/Roadmap%20SPK_English.pdf.
[35] https://web.pln.co.id/media/siaran-pers/2024/12/gandeng-wwf-indonesia-pln-jadi-perusahaan-pertama-di-tanah-air-adopsi-kerangka-kerja-tnfd.

PLN), has voluntarily adopted the TNFD framework since December 2024.

12 Other upcoming developments / direction of travel

As part of the BHAM Action under PR 60/2023, the government aims to hold business actors accountable for respecting human rights by implementing human rights due diligence, in line with the UNGPs.[36] Although PR 60/2023 explicitly calls for future implementing regulations to adopt this mechanism,[37] none have yet been formally issued or entered public consultation to date.

According to the implementation background provided in its appendix, PR 60/2023 references the UNGPs, including the second pillar, which emphasises the responsibility of business actors to proactively respect human rights in business operations.

If the government adopts protection standards equivalent to those set out in the UNGPs, it is likely that future implementing regulations will require businesses to establish internal policies to respect human rights and to conduct human rights due diligence. This due diligence should aim to identify, prevent, and mitigate the risk of human rights violations arising from their own operations and those of their business partners across the supply chain. However, the precise scope and depth of these due diligence obligations (even if later enacted) remain uncertain and will depend on future regulatory developments.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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.

The government has also issued PR 98/2021, which stipulates various strategies to achieve Indonesia's NDCs. These strategies include:

(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 greenhouse gas emission and climate resilience data;

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

(g) development of NDC implementation guidelines;

(h) implementation of the NDCs; and

(i) monitoring and review of the NDCs.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Yes, both compliance and voluntary carbon markets are contemplated.

The compliance carbon market was launched in 2023 and is being implemented in three phases.[38] The first phase (planned for 2023–2024) is limited to coal-fired power plants (**PLTUs**) connected to PT PLN's grid.[39] This phase is currently ongoing, while the implementation of subsequent phases has been delayed.[40] It covered 99 coal-fired PLTUs in 2023, with an additional 47 PLTUs included in 2024, bringing the total number of covered

[36] Page 2, Appendix I, PR 60/2023.
[37] Art. 9, PR 60/2023.
[38] Art. 4(3), MEMR Regulation 16/2022.
[39] Art. 5(2)(a), MEMR Regulation 16/2022.
[40] https://esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-

PLTUS in this phase to 146.[41] However, no sales have been conducted to date during this phase.[42]

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.[43] These PLTUs are classified into four categories: (i) non-mine mouth and mine mouth PLTUs with a capacity of 25MW -100MW; (ii) non-mine mouth PLTUs with a capacity of 100MW – 400 MW; (iii) non-mine mouth PLTUs with a capacity of > 400 MW; and (iv) mine mouth PLTUs with a capacity of ≥ 100 MW.[44]

The second phase (planned for 2025-2027) and the third phase (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.[45] The PTBAE for the second and third phases has not yet been determined,[46] despite a deadline of 31 December 2024 provided by the regulation, but is expected to be more stringent than that of the first phase.[47] However, several policy and regulatory issues have delayed its effective implementation.[48]

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 Carbon Economic Value in the Power Plant Sub-Sector (dated 27 December 2022).[49] In parallel, the recent enactment of MOEF Regulation No. 7 of 2023 (dated 15 June 2023) also provides a framework for carbon trading in the forestry sector.

Further progress has also been made in the development of voluntary carbon trading markets. OJK Regulation No. 14 of 2023 regarding Carbon Trading through the Carbon Exchange now 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**).[50] Any overseas carbon trading requires the prior authorization of the MOEF.[51]

It is important to note that voluntary carbon credits (whether issued domestically or internationally) cannot be purchased to offset obligations under the compliance carbon trading schemes unless explicitly permitted by the applicable regime. The current laws and regulations in Indonesia do not allow the purchase of voluntary carbon credits for the purpose of achieving compliance under the compliance carbon trading scheme.[52]

In 2021, the Indonesian Government issued Law No. 7 of 2021, regarding the Harmonization of Tax Regulations (**Harmonized Tax Law**) (dated 29 October 2021), which sets out that a carbon tax will be imposed on carbon emissions that

[41] https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
[42] https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
[43] https://esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-
[44] Art. 6(1), MEMR Regulation 16/2022; Appendix, MEMR Decree No. 14.K/TL.04/MEM.L/2023.
[45] https://www.esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-
[46] https://icapcarbonaction.com/system/files/ets_pdfs/icap-etsmap-factsheet-104.pdf
[47] Art. 5(2)(b), MEMR Regulation 16/2022.
[48] 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.
[49] https://www.esdm.go.id/id/media-center/arsip-berita/menteri-esdm-luncurkan-perdagangan-karbon-subsektor-pembangkit-listrik-.
[50] Art. 46(1)(d), MOEF Regulation No. 21 of 2022 regarding the Procedures for the Implementation of Carbon Economic Value (**MOEF Reg. 21/2022**).
[51] Arts. 48(2)(g), 73(3), PR 98/2021; Arts. 4(3)(c), 19(a), 20(3), 25(1), MOEF Reg. 21/2022.
[52] See, for instance: Arts. 1(23), 12(6), MOEF Reg. 21/2022; Arts. 50(2), 51, PR 98/2021.

have a negative impact on the environment. 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.

The carbon tax rate is IDR 30 per kilogram of CO_2 or equivalent to around US$1.85 per tCO_2.

As of June 2025, the Indonesian government has not issued any official announcement regarding the imposition of a carbon tax on coal-fired power plants in 2025. Furthermore, the scope and sectors subject to the carbon tax remain the same as stipulated under the Harmonized Tax Law, which targets high-emission industries, beginning with 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.

In parallel with its carbon pricing mechanism, Indonesia has also begun advancing the application of the polluter pays principle through enhancing EPR as a complementary strategy to mitigate environmental degradation and promote circular economy principles. The basis for EPR in Indonesia is primarily regulated in 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 of 2020-2029.[53]

However, although the regulation is predominantly mandatory, its implementation and enforcement remain limited.[54] In light of these shortcomings, MOEF has acknowledged the gaps in implementation and, as of mid-2025, is in the process of revising MOEF Regulation No. P.75/2019 to strengthen compliance and enforcement of producers' waste reduction obligations.[55] Among other measures, the revision aims to make EPR fully mandatory for all producers, requiring them to take responsibility for the waste generated from their products. Indonesia seeks to follow the example of other countries where producers are obligated either to collect such waste themselves or to pay for its proper management.[56]

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 the same 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.

[53] Arts 2-3 of the MOEF Reg. P75/2019

[54] https://business-indonesia.org/waste_management

[55] https://en.antaranews.com/news/356189/indonesia-to-make-producers-responsible-for-plastic-waste

[56] https://en.antaranews.com/news/356189/indonesia-to-make-producers-responsible-for-plastic-waste; https://business-indonesia.org/waste_management.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

Yes, the following list highlights key regulations governing the requirements for companies to have in place and/or disclose climate-related transition plans:

(a) PR 98/2021 obliges every business actor[57] to record and report, among other things, its climate change mitigation and adaptation actions. This report is to be recorded in the SRN PPI.[58] Further guidance concerning the implementation of climate change mitigation and adaptation actions will be coordinated by the MOEF, which may involve other ministries as relevant.[59] The regulation does not oblige companies to consider the social impact of the actions.

(b) OJK Reg. 17/2023 which obliges banks to apply good corporate governance in the context of managing climate-related risk.[60] This obligation requires banks, among other entities, to maintain appropriate policies, procedures, and controls pertaining to the effective management of climate risks.[61] 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 enrichening of the community.[62]

(c) MEMR Decree No. 188.K/HK.02/MEM.L/2021 of 2021 regarding the Ratification of the Electricity Supply Business Plan (**RUPTL**) of PT PLN from 2021 to 2030 (dated 28 September 2021) (**MEMR Decree No. 188/2021**). This decree obliges PT PLN (i.e. the State Electricity Company) to deliver regular reports (on a quarterly basis or upon the request of the MEMR) on the implementation of the RUPTL, which includes the gradual retirement of coal power plants starting from 2030, among other goals.[63] Further guidance concerning the content and implementation of the RUPTL can be found in the Appendix to MEMR Decree No. 188/2021. See section B.4 below.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, 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 do oblige the disclosure of certain sustainability targets that were achieved in the past three years.[64]

PR 112 of 2022 regarding the Acceleration of Renewable Energy Development for the Supply of Electrical Power (dated 13 September 2022) (**PR 112/2022**) establishes certain targets to be met:

(a) In implementing the RUPTL, PT PLN (i.e. the State Electricity Company) is obliged to, among other things:[65]

(i) prioritize the purchase of electricity from power plants utilizing renewable energy;

(ii) operate power plants utilizing renewable energy on a 'must-run' basis; and

(iii) develop power plants utilizing renewable energy.

(b) PT PLN shall accelerate the termination of:

[57] Business actor is defined as any individual or business entity that engages in business and/or activities in certain sectors.
[58] Arts. 66-67, 69(1), PR 98/2021; Position Paper of the MOEF dated 5 May 2023; MOEF Circular Letter to Indonesian Governors dated 10 May 2023.
[59] Arts. 6(3), 36(3), 37(2)-(3), 40 (6)-(7), etc of PR 98/2021.
[60] Art. 125(1), OJK Reg. 17/2023.
[61] Art. 125(2)(c), OJK Reg. 17/2023.
[62] Art. 124(f), OJK Reg. 17/2023.
[63] Pg. II-16, Appendix, MEMR Decree No. 188/2021.
[64] Pages 12, 21, Annex II, OJK CL 16/2021; section F.12, Annex II, OJK CL 16/2021.
[65] Art. 2(3), PR 112/2022.

(i) the operation of its own power plants; and

(ii) the electricity sale-purchase agreements of power plants developed by partner companies.

(c) The establishment of new power plants (with certain exceptions) is prohibited.[66]

The government has also outlined its commitment to energy efficiency through GR No. 33 of 2023 regarding Energy Conservation (dated 16 June 2023). This regulation requires various stakeholders – including governmental bodies, private entities such as energy producers and users – to engage in energy conservation efforts, 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), in energy management.

5 Other upcoming developments / direction of travel

The Draft Law on Climate Change Management has been stipulated in the Priority National Legislation Program. However, no draft or academic paper has been prepared at this stage.[67]

In parallel, various regulators are currently planning a pilot project concerning the trading of international voluntary carbon credits through IDX Carbon. Regulations governing the project are to be prepared in the near future.

Another recent development is the temporary relaxation of local content (**TKDN**) requirements for solar power projects under MEMR Regulation No. 11 of 2024. The relaxed requirements apply to projects with power purchase agreements signed by 31 December 2024 and that become operational by 30 June 2026. This relaxation was in effect until 30 June 2025.

This policy shift aims to attract financing from international grants, such as those from the World Bank and the Asian Development Bank. The existing TKDN requirement – a minimum of 40% in 2024, increasing to 60% in 2025 – has posed challenges for Indonesian projects seeking such grants. The relaxation to a TKDN minimum of 20% is intended to revive and optimise stalled projects that have been unable to progress due to a lack of funding.[68]

To achieve net-zero by 2060, the government has also issued a Roadmap for the Energy Transition in the Power Sector,[69] which outlines a strategy to gradually reduce dependence on fossil fuels. The roadmap prioritises the early retirement of coal-fired power plants and their replacement with renewable energy, low-carbon technologies and energy efficiency measures. The transition is designed to be gradual, measurable, nationally integrated and sustainable.[70]

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 RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

No.

[66] Art. 3(4), PR 112/2022.
[67] https://www.hukumonline.com/berita/a/bumi-semakin-panas--ruu-perubahan-iklim-urgen-disahkan-lt66460dd19641c/?page=1; https://www.hukumonline.com/berita/a/ini-daftar-ruu-prolegnas-prioritas-2024-lt650bd7d9ae4e2/
[68] https://jakartaglobe.id/opinion/tkdn-relaxation-for-renewable-energy-projects-legal-and-trade-challenges.
[69] MEMR Regulation No. 10 of 2025 on the Roadmap for Energy Transition in the Electricity Sector (**MEMR Regulation No 10/2025**).
[70] Page 12, Appendix I, MEMR Regulation No 10/2025.

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:

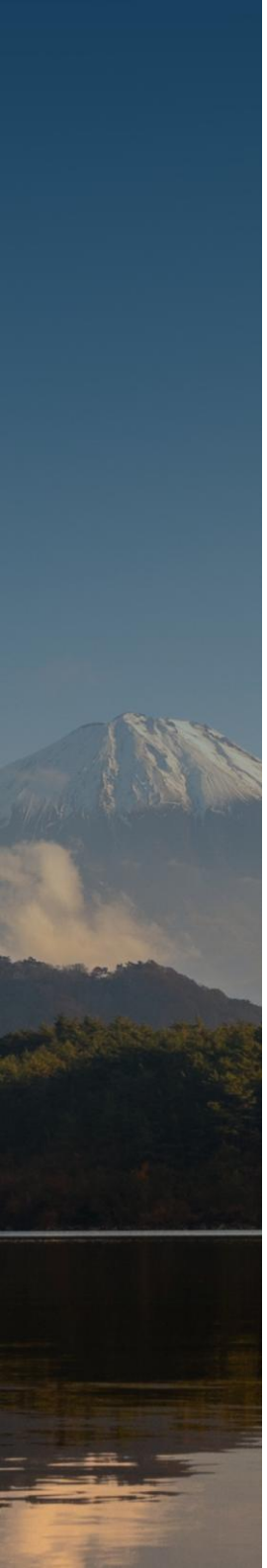
(a) Breaches of directors' fiduciary duties.

(b) Tort claims for misrepresentation.

(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.



JAPAN

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

ESG in APAC – Japan
By Mori Hamada & Matsumoto

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- ISSB-aligned sustainability disclosure standards have been finalised and are expected to apply to companies listed on the Prime Market of the Tokyo Stock Exchange on a mandatory basis. This will significantly enhance sustainability reporting requirements for such companies.
- Application of such standards is expected to start for the fiscal year ending 31 March 2027 and will be phased based on the market capitalisation of the reporting company.
- The revised green transition law will introduce a mandatory emission trading system in 2026. Companies emitting 100,000 tons of carbon dioxide per year (from any sector) will be required to take part.

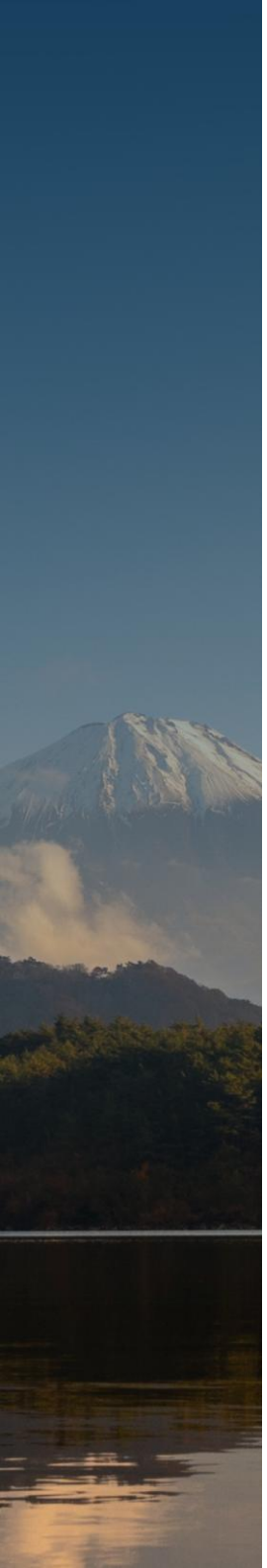
A. ESG REPORTING

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 "sustainability" disclosure requirements to be reported in a securities registration statement filed by both Japanese and overseas companies that conduct an offering of securities in Japan, or an annual securities report filed by both Japanese and 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 enhance the quality and quantity of disclosure.

Sustainability reporting requirements for Prime Market-listed companies are expected to be significantly enhanced upon implementation of the SSBJ Standards - see section A.11 below for more detail.

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 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.

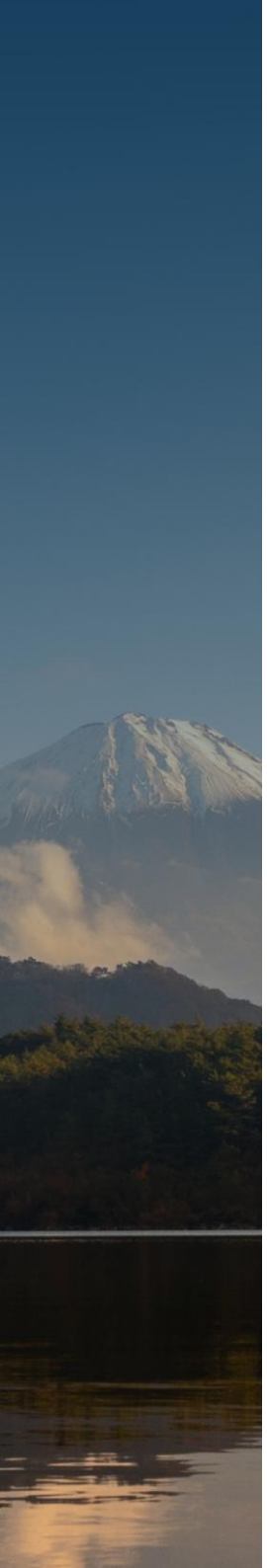
6 How do the disclosure requirements approach materiality (e.g. single or double materiality)?

While neither the Disclosure Order nor the Corporate Governance Code clarifies that it 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 the enterprise value of the company.

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 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.

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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

This is not mandatory. According to a roadmap on the standards and independent assurance of sustainability disclosure published by the FSA in June 2025 (**FSA Roadmap**), it is suggested that independent assurance will become mandatory from the fiscal year ending 31 March 2028 or later, in stages (depending on the market capitalisation of the reporting company), for companies listed on the Prime Market of the Tokyo Stock Exchange. However, this is subject to further discussion.

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 or adopted 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 and/or the TNFD)? If so, please give details.

Yes. In March 2025, the Sustainability Standards Board of Japan (**SSBJ**) issued inaugural sustainability disclosure standards (**SSBJ Standards**) to be applied in Japan. The standards comprise:

(a) the universal sustainability disclosure standards (Application of the Sustainability Disclosure Standards);

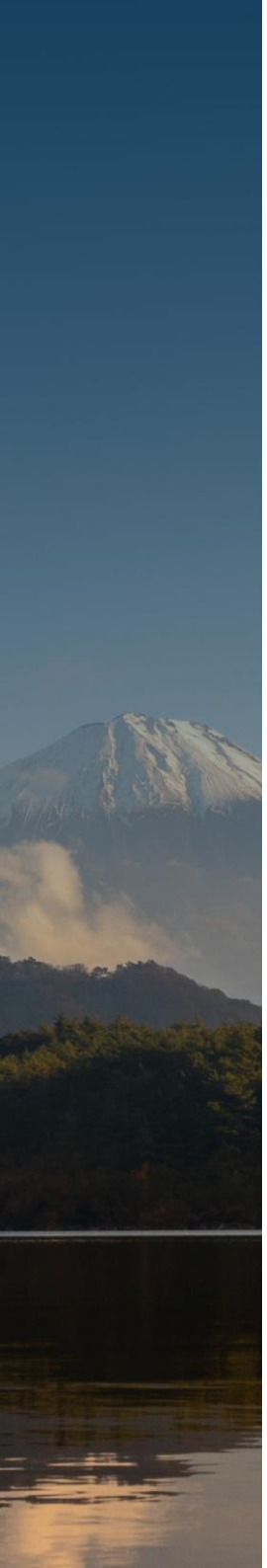
(b) the theme-based sustainability disclosure standards No. 1 (General Disclosures); and

(c) the theme-based sustainability disclosure standards No. 2 (Climate-related Disclosures).

The SSBJ decided to 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.[1] Once implemented, sustainability information disclosure in annual reports and other documents is expected to be legally required to be based on the SSBJ Standards.

The SSBJ Standards do not prescribe the scope of companies that would be required to apply such standards. However, the SSBJ developed their

[1] https://www.ssb-j.jp/en/wp-content/uploads/sites/7/ssbj_20250331_01_e.pdf



standards following the direction indicated by the FSA that the scope of companies that would be required to apply the SSBJ standards should be those companies which centre their business on constructive dialogue with global investors. In addition, according to the FSA Roadmap, the SSBJ Standards are expected to apply to 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.

In line with the ISSB Standards, the SSBJ Standards cover sustainability-related (and not just climate-related) disclosures. Reporting companies must disclose, amongst other things, sustainability-related financial risks and opportunities and GHG emissions, categorised as Scope 1, 2 or 3.

Making disclosures in line with the TNFD framework is expected to be examined by the SSBJ, taking into consideration international discussion. The SSBJ has not indicated a specific timeframe for this.

12 Other upcoming developments / direction of travel

In addition to the matters referred to above, the Sustainability Disclosure and Assurance Working Group of the Financial System Council of Japan continued to discuss the safe harbour rule of ESG disclosures provided in an annual securities report of a company.

Japan issued its National Action Plan on Business and Human Rights in 2020, while the Ministry of Economy, Trade and Industry of Japan issued Guidelines on Respect for Human Rights in Responsible Supply Chains in 2022. The latter encourages businesses to conduct human rights due diligence and ensure access to remedies. However, there is currently no proposal for a mandatory human rights due diligence law in Japan.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes – to reduce Japan's carbon emissions by 46% (and 50% as an intensity target) before 2030, compared to 2013.

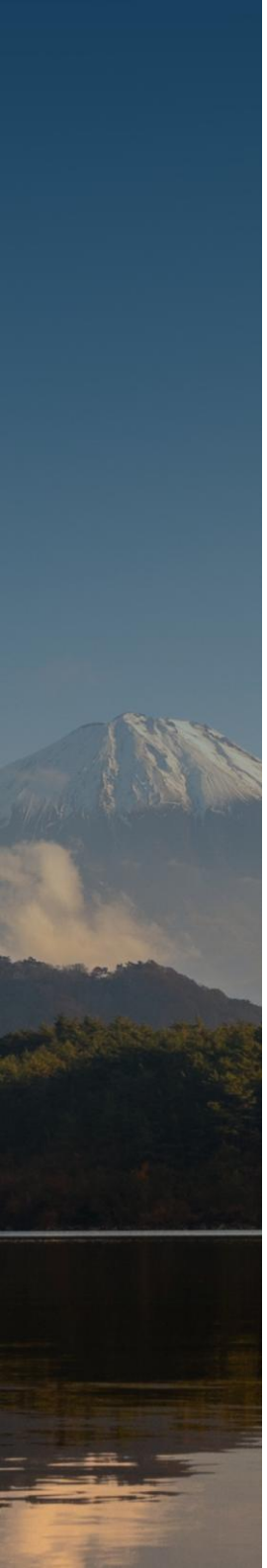
2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

There are no mandatory carbon pricing tools at this stage, but there are plans to introduce a mandatory ETS.

In April 2023, the "GX League" started operating in Japan. This is a government-led scheme aimed at reducing participants' emission of GHG (**GX-ETS**), with voluntary participation from a large group of companies in Japan.

Under the first phase of the GX-ETS, (i) each participant sets its own GHG reduction goal, and (ii) failure to meet this goal would result in the participant needing to either explain the reason for such failure or to "fill the gap" by purchasing other participants' emission allowances created via the scheme or certain kinds of carbon credits. It is expected that the GX-ETS will become fully operational in the second phase starting from 2026 with increased government intervention and allowance trading under the scheme – details such as scope of coverage and extent of mandatory application are being considered.

In addition, new legislation pushing for green transition was passed in May 2023 to implement (from 2033) the paid allocation of emission allowances to the electricity sector, which is



expected to be linked to the GX-ETS. In May 2025, this green transition law was revised, under which, companies emitting 100,000 tons of carbon dioxide per year (from any sector) will be required to take part in a mandatory emission trading system which the government plans to introduce in 2026.

Separately, in October 2023, the Tokyo Stock Exchange set up a voluntary carbon market. This market currently deals with J-Credits, which are public-sector credits certified by the Japanese government.

In relation to other mandatory tools based on the "polluter pays" principle, Japan has an EPR scheme for producers of certain containers, packaging and home electrical appliances, who are required to pay recycling fees to recyclers.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

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 to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

Participants of the GX-ETS are now subject to GHG reduction targets, with the targets being set by the participants.

Other than that, companies are not generally required to set or meet climate-related targets.

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.

5 Other upcoming developments / direction of travel

In October 2023, the government published "Addressing the Challenges of Financed Emissions", which summarises the expected role of financial institutions in achieving carbon neutrality and the characteristics of financed emissions, so that funding for innovation and hard-to-abate industry transitions towards decarbonisation can be properly assessed and promoted. The proposed solutions to the challenges of financed emissions are organised into two categories: (a) methods for calculating and disclosing financed emissions, and (b) methods for disclosing indicators other than "financed emissions".

From 2028, a fossil fuel levy will be imposed on suppliers of fossil fuel.

Furthermore, the government aims to fund as much as JPY 20 trillion in the coming 10 years to support private investment into green transition.

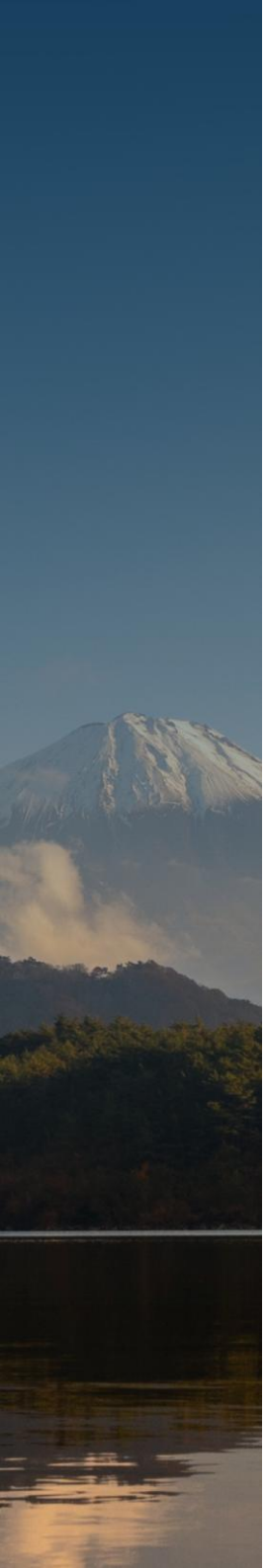
C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing 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.

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 Listing Rules' 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.

MAINLAND CHINA

Contributing law firm:
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Contact:
Tianling (Carey) Ni, Partner

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

ESG in APAC – Mainland China
By JunHe LLP

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- The Ministry of Finance has issued the Basic Standard for Enterprise Sustainability Disclosure (Trial) and a draft climate disclosure standard, laying 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. They are currently voluntary, but are expected to shift to a mandatory status on a phased basis (with the timing not yet confirmed).
- The draft Environment Ecological Protection Code has been released, containing principles to guide companies on their low-carbon transition.

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 other 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 items (d) and (e) above for Beijing Stock Exchange-listed companies, but they are proposed to be non-mandatory at this stage.

The new guidelines mentioned in paragraphs (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.

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 section 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 section A.2(d) and (e) above) are mandatory from 2025 for (i) listed companies included in the Shenzhen Stock Exchange 100 Index, (ii) companies listed on the Growth Enterprise Index, (iii) listed companies included in the Shanghai Stock Exchange 180 Index, (iv) companies listed on the STAR 50 Index, and (v) companies listed on the Shenzhen Stock Exchange or Shanghai Stock Exchange and other jurisdiction 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.

The Basic Standard is currently implemented by enterprises on a voluntary basis and will 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 section A.2(a) to (c), 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.

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. In due course, specific standards will be issued to provide detailed requirements for disclosures on ESG topics. Furthermore, application guidelines will be developed to interpret and refine the Basic Standard and its related specific standards. So far, the Ministry of Finance has issued the Exposure Draft of the Corporate Sustainability Disclosure Standards No. 1 – Climate (Trial) (**Draft Climate Standard**), which is based on IFRS S2 and covers climate-related disclosures.

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 Draft 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 Scopes 1, 2, and 3 GHG. It also requires enterprises to conduct climate scenario analysis, disclose climate-related targets, and disclose their progress towards achieving those targets.

The other regulatory disclosure requirements do not make any specific reference to international standards. However, based on a recent analysis by 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 Draft 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 $MTCO_2e$. The entity should disclose the emissions categorised into Scope 1 and Scope 2 emissions, and it is encouraged to disclose Scope 3 emissions for those entities that have 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 or above 26,000 tCO_2 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 verification methods prescribed by the MEE in the Guidance for Verification of Enterprise Greenhouse Gas Emissions Reporting (Trial).

In addition, the Draft Climate Standard, as currently proposed, will require enterprises to disclose GHG emissions, including Scope 1, Scope 2, and Scope 3 emissions. It will apply to enterprises that are required by law or 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 metric tons of CO_2 equivalent (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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

There are currently no mandatory requirements to obtain independent assurance of any ESG disclosures, and we are not aware of any plans to introduce such requirements. However, the Sustainable Development Report Guidelines and the Basic Standard encourage disclosing entities to engage third-party institutions to provide assurance/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 or adopted 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 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 Bond 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 and/or the TNFD)? If so, please give details.

Currently, China has incorporated IFRS S1 and IFRS S2 into its domestic disclosure framework through the Basic Standard and the Draft 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.

According to the regulatory roadmap, a series of standards, including the Basic Standard, Draft Climate Standard, and related implementation guidelines will be progressively issued by 2027. A nationally unified sustainability disclosure standards system is expected to be in place by 2030. A 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.

As of now, China has not enacted mandatory human rights and/or environmental due diligence laws nor has it officially proposed such legislation.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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 has included the reduction of carbon emission intensity as a binding indicator in the national economic and social development plan, and in its "14th Five-Year Plan," it has set a target of reducing carbon dioxide emissions per unit of GDP by 18% by 2025 compared to 2020.

In addition, China announced new national autonomous contribution targets, striving to reach the peak of its carbon emissions before 2030, and striving to achieve carbon neutrality before 2060. At the same time, China has also set specific targets, such as reducing carbon dioxide emissions per unit of GDP by more than 65% by 2030 compared to 2005, increasing the proportion of non-fossil energy in primary energy consumption to about 25%, and a total installed capacity of wind and solar power of more than 1.2 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 or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Yes, there is a mandatory carbon market, which mainly targets high-emission industries and enterprises.

The Chinese government has launched a mandatory carbon trading market (**CET**) and has established a corresponding regulatory framework. On 4 February 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. The national carbon emission trading market has so far included more than 2,000 power companies and 1,500 companies in the steel, cement and aluminium smelting sectors, accounting for around 60% of the total national carbon dioxide emissions.

China's ETS 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 is currently determined in accordance with the *National Carbon Emission Allowance Total and Allocation Plan for the Power Generation Industry in 2023 and 2024*. 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.

It is anticipated that the national ETS will further expand its coverage to include more industries, i.e. (a) during the "14th Five-Year Plan" period, the cement, civil aviation, and aluminium electrolysis industries are expected to be included; and (b) during the "15th Five-Year Plan" period, the steel, papermaking, glass, petrochemical, and chemical industries are expected to be included in a phased manner. China has not yet introduced carbon taxes or mapped out legislation plans relating to carbon taxes (although there are certain types of taxes which are related to carbon reduction to some extent).

China issued a 2016 framework on EPR schemes, focussing on electronics, packaging, automotives and batteries. Pilot projects have been undertaken, but legislation mandating EPR schemes have not yet been introduced. China, together with the EU, launched the EU-China Roadmap on Circular Economy in 2024. One of the stated goals in the roadmap is to look into enhancing EPR schemes in China for selected products.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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.

Based on the latest Sustainable Development Report Guidelines discussed in section A.2(d) and (e), the disclosing company should disclose its 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 to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

Based on the latest Sustainable Development Report Guidelines and the discussions in section A.2, the disclosing entity 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.

If adopted, the Draft Climate Standard would require 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 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. Specifically:

(a) on 30 April 2025, the government released the draft Environmental and Ecological Protection Code for public comments. The draft code includes general provisions on green and low-carbon development, including those of energy conservation and low-carbon transition; and

(b) on 30 April 2025, the Ministry of Finance released the Draft Climate Standard for public comments. As outlined above, the standard sets requirements on the disclosure of information, including climate transition and GHG emissions. If the standard is adopted, it will initially be applied on a voluntary basis.

The government continues to develop and introduce regulations on carbon emission, including developing carbon trading markets, conducting further research on expanding the scope of the national carbon trading market to include industries such as steel, petrochemicals, and building materials, and accelerating the preparatory work for 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 emission and relevant transition planning might be considered in the future.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

There have been no significant examples, but some enterprises were held to have misused "green" information in their advertisements or assisted others in providing false green information, which were considered a violation of relevant laws and regulations.

For example, in September 2020, a printing company in Pingdingshan City, Henan Province, labelled its product with a "China Environmental Labelling" pattern and information on "Green Printing Products". .The printing company's China Environmental Labelling Product Certification Certificate had expired on 18 January 2020. The actions of the printing company constituted false or misleading commercial advertising as stipulated in Article 8 of the Anti-Unfair Competition Law of the People's Republic of China (**PRC**) and the printing company was fined RMB 200,000.

In addition, in recent regulatory practices, we have also 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 are 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 laws. 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 a national standard *Terminology for Green Finance* (GB/T 45490—2025) on 28 March 2025, which included a definition of greenwashing as: "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 Bond Endorsed Projects Catalogue (2021 Edition) jointly announced by the People's Bank of China, the National Development and Reform Commission, and the China Securities Regulatory Commission (**CSRC**), which outlines projects that can be funded by green bonds.

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 liabilities arising from their 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

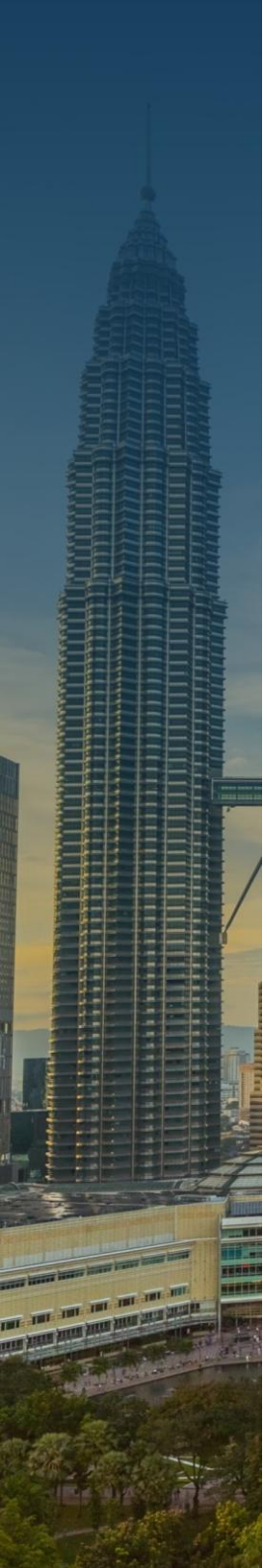
Although there have been no major greenwashing claims in the mainland of China to date, the risks of greenwashing liabilities are expected to increase as sustainability reporting requirements become more robust and the sense of urgency on sustainability continues to grow.

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 section A.2(d) and (e)). 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 on the Complete, Accurate and Comprehensive Implementation of the New Development Concept 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 emission reporting obligations, fabricate, conceal, or omit GHG emission data, the courts shall support administrative authorities in making administrative punishment decisions 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 criminal law of the PRC.



MALAYSIA

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

ESG in APAC – Malaysia
By Rahmat Lim & Partners

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Adoption of the ISSB Standards through the issuance of the National Sustainability Reporting Framework as the baseline sustainability disclosure standards for listed companies and large non-listed companies.
- Implementation will be phased from 1 January 2025 and adopt a climate-first approach. A mandatory sustainability assurance framework is under consultation.
- Requiring financial institutions to use established standards and taxonomies, and leverage certifications and third-party assurances, to verify customers' disclosures to mitigate against greenwashing of their portfolios.
- Developing a proposed carbon tax in response to the EU's CBAM and mandatory circular economy tools including extended producer responsiblility schemes.

A. ESG REPORTING

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

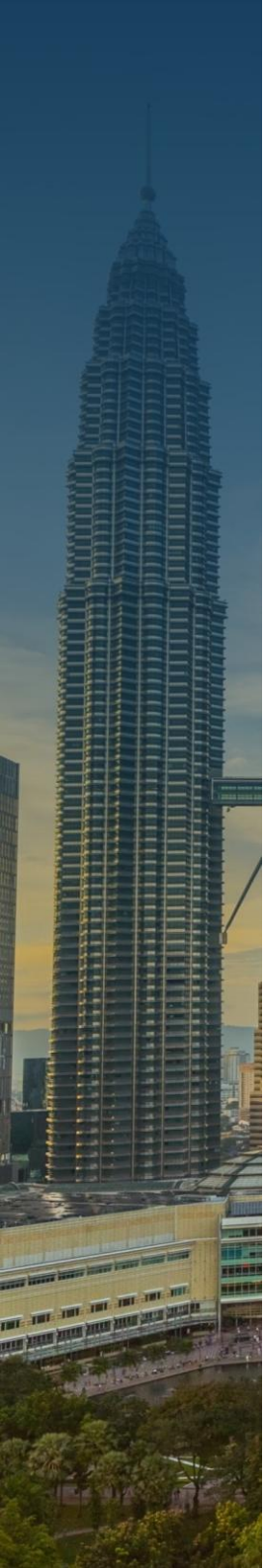
Yes.

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 (TCFD) 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 /

[1] Joint Committee on Climate Change members consist of Bank Negara Malaysia, Securities Commission Malaysia, Bursa Malaysia and 21 financial industry members.



takaful operators, asset managers / 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**) sets out the sustainability reporting requirements to be disclosed in the Sustainability Statement (as defined below) of listed companies. The sustainability statement is a narrative statement disclosing the management of material economic, environmental and social risks and opportunities (**EES**) (**Sustainability Statement**) of listed companies in their annual reports.

(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 Climate Risk Management and Scenario Analysis (**CRMSA**) requires financial institutions to produce TCFD-aligned climate disclosures in line with the TCFD Application Guide, and such disclosures shall be published together with annual financial reports for financial years beginning on or after 1 January 2024.

Disclosures on the implementation of principles in relation to the governance, strategy, risk appetite and risk management of financial institutions are currently mandatory, while disclosures on the implementation of principles in relation to scenario analysis and metrics and targets, together with Basic and Stretch recommendations have taken effect for financial years beginning on or after 1 January 2024. In particular, disclosures in line with Basic recommendations are to be implemented by June 2024, and Stretch recommendations are to be implemented based on each financial institution's overall climate risk exposure and/or complexity of operations.

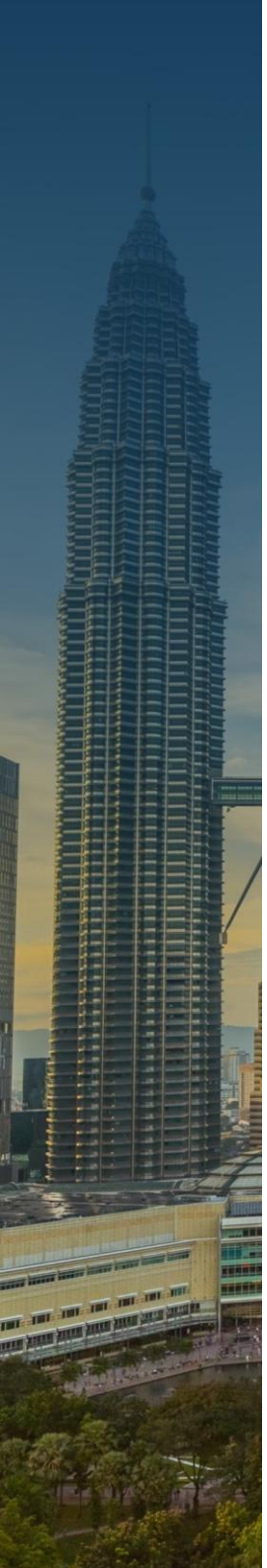
(b) The Sustainability Reporting Framework contains mandatory sustainability disclosures in relation to the EES of listed companies.

(c) Adopting a climate-first approach, the NSRF will apply 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.



Consequential amendments to the relevant legislations, rules and guidelines are expected to be undertaken to adopt the NSRF, including, among others, the Companies Act 2016, 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 the Exchange's existing ESG Reporting Platform by, among others, streamlining standardised climate reporting.[2]

4 Which aspects of ESG do the requirements focus upon?

The TCFD Application Guide focuses on climate-related matters.

The Sustainability Reporting Framework and NSRF focus on economic, environmental and social aspects.

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

The climate-related disclosures 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 the NSRF's phase-in application.

As mentioned, the NSRF addresses the use of the ISSB Standards as the baseline sustainability disclosure standard and is closely aligned with both IFRS S1 and S2 subject to certain transitional relief as outlined in 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 and Sustainability Reporting Framework adopts a "single materiality" approach which is consistent with the TCFD Recommendations.

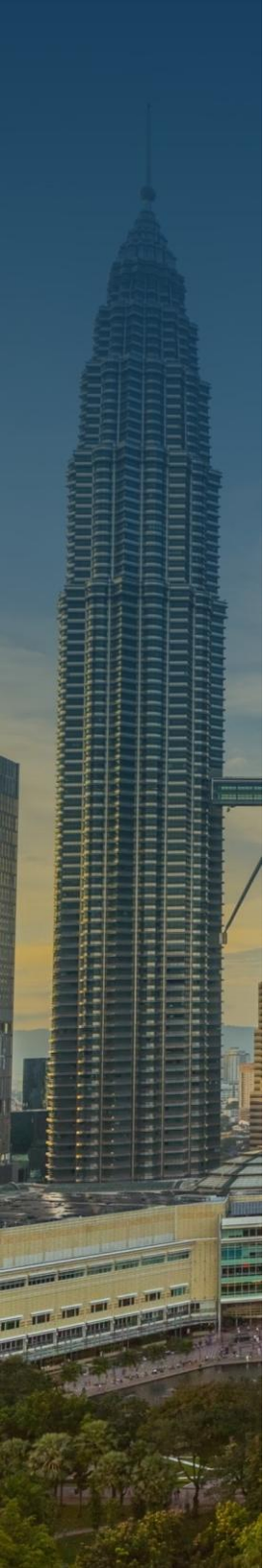
7 Are there requirements for the disclosure of GHG emissions? If so, please specify the scope (e.g. Scope 1, Scope 2 and/or Scope 3), to whom they apply and whether there are requirements on the measurement methodology.

The TCFD Application Guide sets out mandatory disclosures, in the form of Basic and Stretch Recommendations, which are to be complied with by financial institutions within different time periods. 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.

Under the NSRF, MMLCos above RM2 billion are required to make mandatory disclosures on Scope 1, Scope 2 and limited Scope 3 emissions in the annual reports for the annual reporting periods beginning on or after 1 January 2025, with a requirement to disclose all Scope 3 GHG emissions for the annual reporting period beginning on or after 1 January 2028. MMLCos below RM2 billion are required to make mandatory disclosures on Scope 1, Scope 2 and limited Scope 3 emissions for the annual reporting periods beginning on or after 1 January 2026 with a requirement to disclose all Scope 3 GHG emissions for the annual reporting period beginning on or after 1 January 2029.

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

[2] Bursa Malaysia - Centralised Sustainability Intelligence Platform



2027, with a requirement to disclose all Scope 3 GHG emissions for annual reporting periods beginning on or after 1 January 2030.

At this juncture, there are no requirements under the TCFD Application Guide or the Sustainability Reporting Framework on the measurement methodology. However, disclosures of, among other things, methodologies used to calculate emissions are required. The NSRF provides transition relief for the first two reporting periods for MMLCOs above RM2 billion and MMLCOs below RM2 billion and transition reliefs for the first three reporting periods for ACE Market Listed companies and Large NLCos for the use of GHG Protocol to calculate its respective GHG emissions.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

There are no requirements under the TCFD Application Guide for climate-related disclosures of financial institutions to be subjected to an assurance process.

There are currently no requirements for the Sustainability Statements of listed companies to be subjected to an assurance process, but such practice is encouraged pursuant to the Sustainability Reporting Guide and the NSRF.

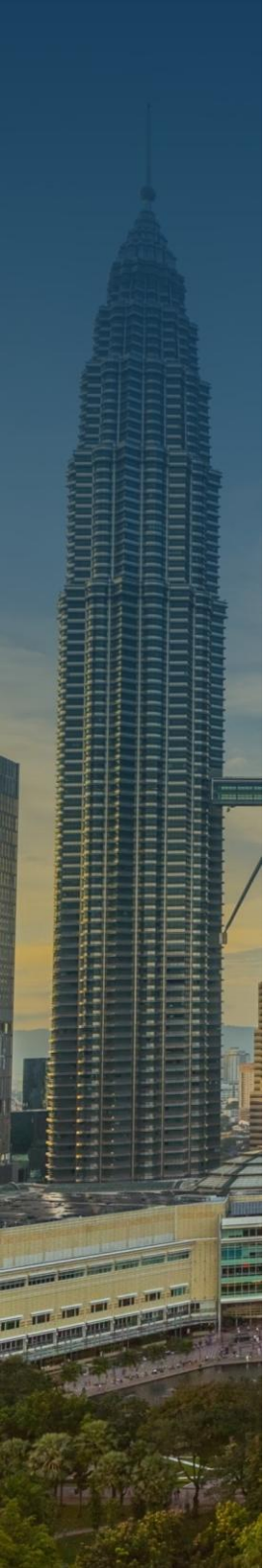
Under the NSRF, reasonable assurance on Scope 1 and Scope 2 GHG emissions are expected to be mandatory for (i) MMLCos above RM2 billion from annual reporting periods beginning on or after 1 January 2027; (ii) MMLCos below RM2 billion from annual reporting periods beginning on or after 1 January 2028; and (iii) 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**) had on 25 June 2025 issued a public consultation paper on the proposed issuance of a Framework for Sustainability Assurance (**Sustainability Assurance Framework Consultation Paper**). The Sustainability Assurance Framework Consultation Paper aims to seek feedback on the use and application of the IFRS S1 and IFRS S2 and to develop a sustainability assurance framework for Malaysia.

The Sustainability Assurance Framework Consultation Paper is currently seeking 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 for external mandatory assurance for (i) Scope 1 and Scope 2 GHG emissions; and (ii) IFRS S1 core contents (Governance, Strategy, Risk Management and Metrics and Targets) and Scope 3 GHG emissions, to be adopted by (a) MMLCos above RM2 billion for the 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; (b) MMLCos below RM2 billion for the 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 (c) ACE Market listed companies and Large NLCos for the 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, is also seeking feedback on the adoption of accountants to act as sustainability assurance engagement leaders



and the expansion of the role of the SC'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-compliances.

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.

The 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 exposures expected of SMEs in relation to ESG disclosure. The guide is currently voluntary.

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

The Climate Change and Principle-based Taxonomy (**CCPT**) issued on 30 April 2021 by the Central Bank of Malaysia (**BNM**) provides a taxonomy for the classification of economic activities against climate objectives and reporting of lending and investment activities in line with the CCPT by financial institutions. Although disclosures by financial institutions on the classification of their respective economic activities in line with the CCPT are not currently mandatory, financial institutions submitted the first report on their application of the CCPT in their classification of economic activities against climate objectives and reporting of lending and investment activities to BNM in August 2022.

The Principles-Based Sustainable and Responsible Investment Taxonomy (**SRI Taxonomy**) issued on 12 December 2022 by the Securities Commission Malaysia (**SC**) 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 3 issued on 27 March 2024 by the ASEAN Taxonomy Board provides alignment on underlying principles and helps harmonise the classification of sustainable activities and assets across ASEAN. It does not have mandatory application. Whilst 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. Version 3 introduces technical screening criteria for two more focus sectors: transportation and storage, and construction and real estate. In December 2024, revisions were made to Version 3 which included, *inter alia*, clearly defining levels of recognition required to achieve Green tier for Technical Screening Criteria for construction and real estate.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

Other than the NSRF (which addresses the use of the ISSB Standards), there are currently no other plans to adopt or incorporate any other international ESG reporting framework.

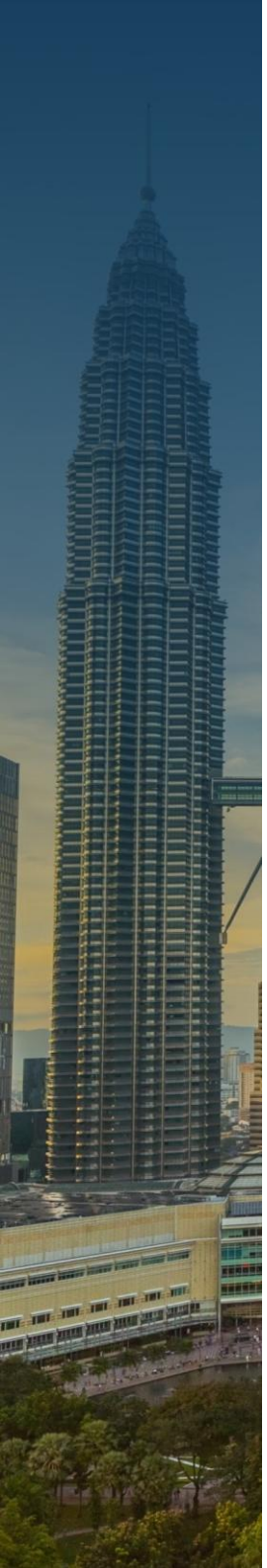
12 Other upcoming developments / direction of travel

The NSRF and the Sustainability Assurance Framework Consultation Paper contemplate shifting the existing voluntary approach on external assurance to a mandatory one.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes – Malaysia has reaffirmed its commitment to reduce carbon intensity by 45 percent 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 Climate Change Act. A consultation paper on the proposed Climate Change Act has also been issued, with the relevant Bill expected to be tabled in Parliament in August 2025.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Environment (Reduction of Greenhouse Gases Emission) Ordinance, 2023

Under the Environment (Reduction of Greenhouse Gases Emission) Ordinance, 2023 (**Ordinance**), 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%-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 Carbon Tax (2026)

The Malaysian government recently announced their intention to introduce a national carbon tax aimed at the iron, steel and energy industry by 2026 in response to the European Union's (**EU**) implementation of the 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, fertilizer, and energy industries.

Bursa Carbon Exchange

A voluntary carbon market, the Bursa Carbon Exchange (**BCX**) was established by Bursa Malaysia[3] 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 in December 2022. 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.

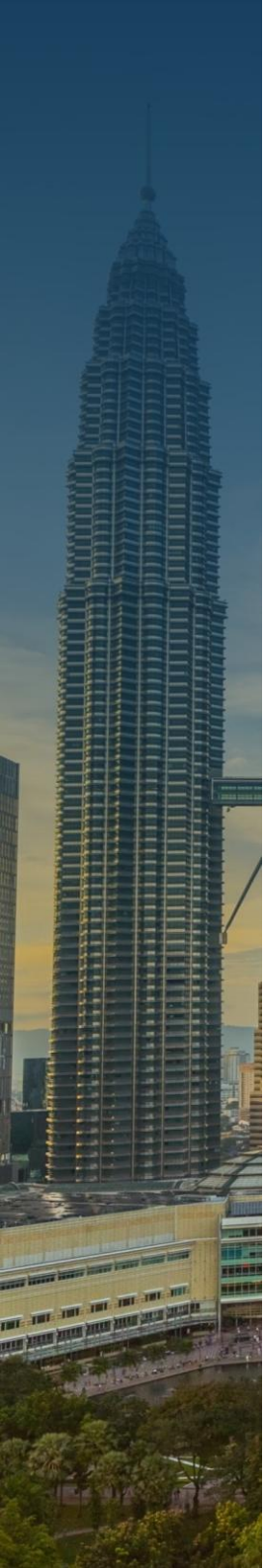
The BCX has since expanded its offerings by introducing Renewable Energy Certificates (**REC**s). On 9th September 2024, the BCX has successfully launched continuous trading for RECs, enhancing its existing auction-based capabilities by enabling off-market REC transactions on the platform.

Circular economy

In October 2024, a Circular Economy (CE) Policy for the Manufacturing Sector[4] was introduced to reform fossil-fuel based industrial models and

[3] Bursa Malaysia is an exchange holding company and one of the largest bourses in ASEAN.

[4] Circular Economy Policy Framework for the Manufacturing Sector in Malaysia



promote green growth practices across the manufacturing value chain. The policy outlines 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.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

Under Malaysian law, there are no mandatory statutory requirements for companies in Malaysia to have in place and/or disclose climate-related transition plans. However, Bursa Malaysia has introduced enhancements to the Main Market Listing Requirements and ACE Market Listing Requirements in the form of the Sustainability Reporting Framework, which will further be complemented by the requirements of the NSRF in the upcoming years, as set out in section A.2 above.

Under the Sustainability Reporting Framework, Bursa Malaysia mandates that Main Market-listed issuers integrate TCFD Recommendations into their sustainability reporting on climate-disclosures, which covers disclosures on governance, strategy, risk management and metrics and targets. In addition, ACE Market-listed issuers are required to disclose a basic transition plan towards a low-carbon economy.[5]

Under these enhanced requirements, listed issuers are required to prepare a Sustainability Statement in line with the ISSB standards as part of their annual report, which must include metrics and targets demonstrating the issuer's performance against its Sustainability-Related Objectives over the past three financial years, as well as a declaration on whether the Statement has undergone independent assurance in accordance with recognised assurance standards. The NSRF will require disclosure of any climate transition plans a reporting entity may have in line with IFRS S2.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

There are no mandatory 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.[6] This will be further enhanced by the requirements of the NSRF in upcoming years, which will require the disclosure of any climate-related targets that a reporting entity has set or is required to meet by other laws in line with IFRS S2.

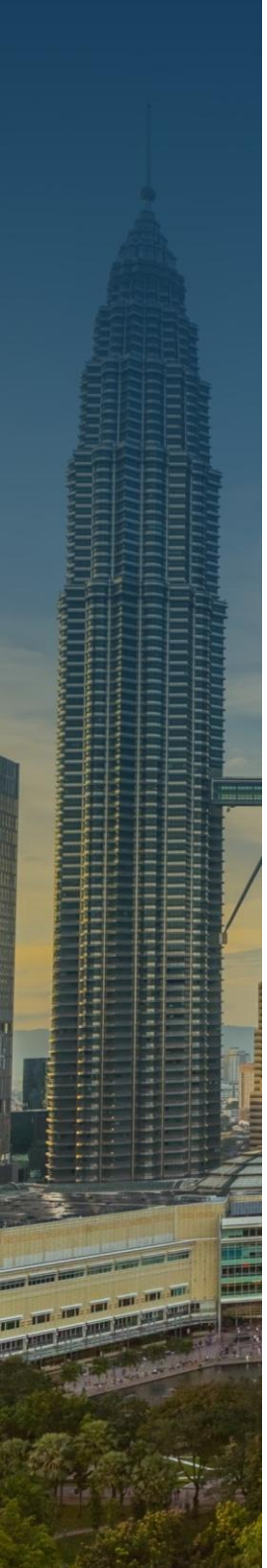
5 Other upcoming developments / direction of travel

In Malaysia's Budget 2025,[7] the Malaysian government highlighted its aim to prioritise sustainability in its financial planning, which includes, the following initiatives:

[5] Mandatory TCFD Reporting Requirements for Bursa Malaysia Listed Issuers

[6] Such requirement is applicable to Main Market listed issuers for its Sustainability Statements in annual reports issued for financial year ended on or after 31 December 2025.

[7] "Belanjawan 2025 Malaysia Madini: Budget 2025 Speech" issued by the Ministry of Finance Malaysia.



(a) allocation of an additional RM300 million to further support the National Energy Transition Roadmap aspiration;

(b) the continuance of the widely successful Green Technology Financing Scheme (GTFS)[8] through 2026 with a total allocation of RM1 billion. The scheme continues to target six priority sectors: Energy, Manufacturing, Transport, Building, Waste, and Water, offering a government guarantee of 60% to 80% on the green component cost financed by Participating Financial Institutions (PFIs) and a 1.5% rebate on annual interest/profit rate; and

(c) an increase in the Ecological Fiscal transfer fund from RM200 million to RM250 million to support the State Government's efforts in conserving forests and wildlife.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

No.

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

No, however there is some 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 SC and the CCPT issued by BNM) applicable to capital markets players and financial institutions.

The Lodge and Launch Framework issued by the SC 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 issuances of such bonds and sukuk are regulated by the SC. The Guidelines on SRI Funds also provide guidance on the disclosure and reporting requirements for SRI funds.

The Policy Document on Climate Risk Management and Scenario Analysis issued by BNM in March 2025 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 promote credible as well as high-quality disclosures to mitigate the risks of greenwashing.

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);

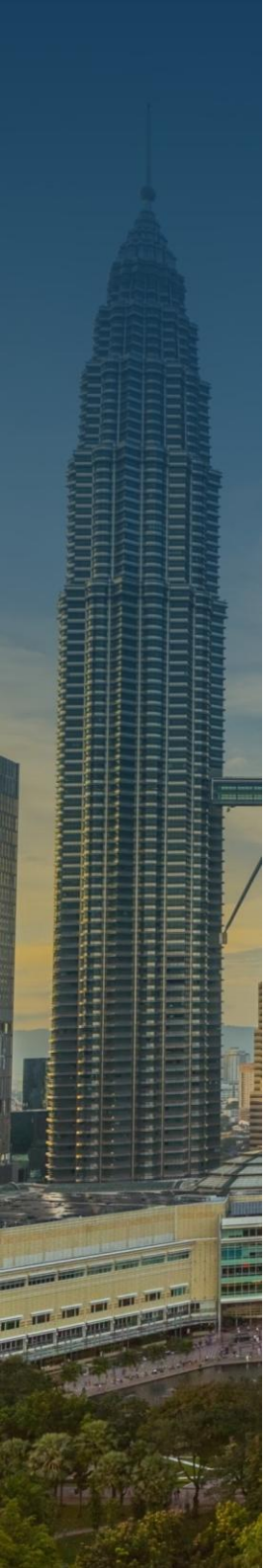
(b) misrepresentation claims; and

(c) breaches of consumer protection, trade description and advertising laws.

4 Other upcoming developments / direction of travel

As mentioned, the NSRF will be implemented in phases, with phases for the use of the ISSB Standards to begin on or after (a) 1 January 2025 for MMLCos above RM2 billion; (b) 1 January

[8] 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.



2026 for MMLCos below RM2 billion; and (c) 1 January 2027 for ACE Market listed issuers and Large NLCos. The NSRF implements the use of the ISSB Standards as baseline sustainability disclosure standards, as well as mandating external assurance for sustainability statements made by companies to avoid greenwashing.

The expansion of the ASEAN Taxonomy as mentioned in A.10 above should also assist with mitigating against greenwashing.

MYANMAR

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

ESG in APAC – Myanmar
By Allen & Gledhill (Myanmar) Co., Ltd.

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- 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 Initiatve.
- The Myanmar Climate Strategy (2018–2030) remains in effect, but no new implementation measures or updates have been announced.
- 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 / 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 / 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 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 Environment 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 the initial environmental reports and continuous reporting obligations.

Companies listed on the Yangon Stock Exchange (**YSX**) and public companies having 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 references to environmental or social related matters are 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 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.

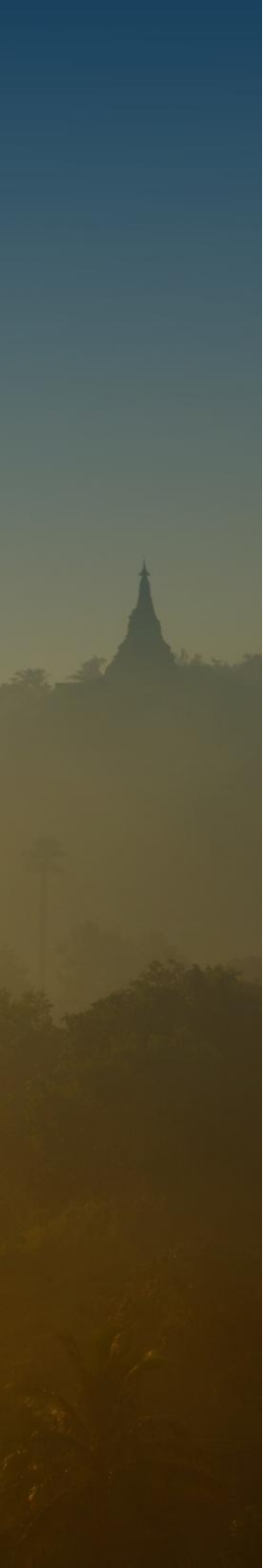
The disclosure requirements relating to beneficial ownership and politically exposed person replicate the corresponding concepts in the Extractive Industries Transparency Initiative Standard 2019.

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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce 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 their sustainability practices and initiatives.

10 **Has your jurisdiction issued or adopted 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 and/or the TNFD)? If so, please give details.**

No.

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

We are not aware of any recent development in ESG reporting requirements.

B. TRANSITION PLANNING

1 **Has your jurisdiction set decarbonisation targets and strategies?**

Yes - the Myanmar Climate Change Policy formulated by the former government in 2019 mandates the implementation of the Myanmar Climate Strategy (2018-2030), which contains strategies relating to achieving climate resilient and low-carbon energy, transport and industrial systems that support inclusive and sustainable development and economic growth.

2 **Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?**

No.

3 **Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?**

No.

4 **Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?**

No.

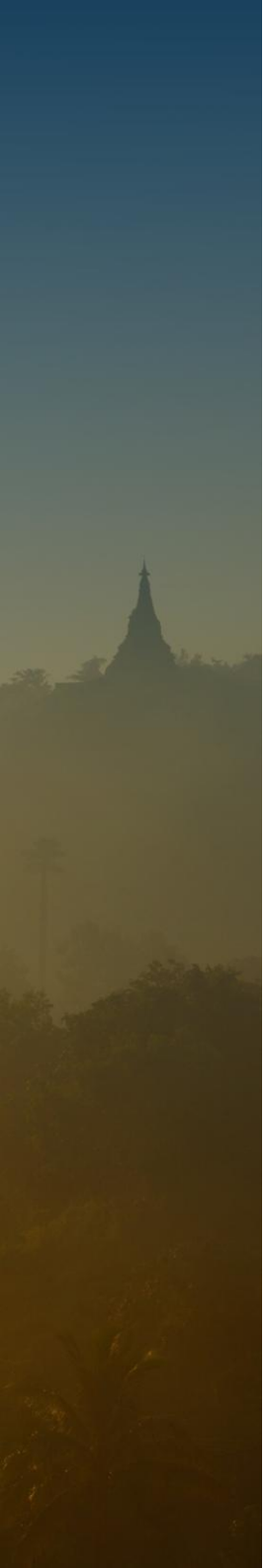
5 **Other upcoming developments / direction of travel**

We are not aware of any recent development in this regard.

C. GREENWASHING RISKS

1 **Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing 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 (as mentioned in section A.1 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 / 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

Contributing law firm:
Bell Gully

Contact:
Richard Massey, Partner

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

ESG in APAC – New Zealand
By Bell Gully

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Climate Reporting Entities have completed their first mandatory climate statements based on the TCFD Recommendations. The second-year climate statements are subject to additional requirements, including obligations to disclose the current financial impacts of climate impacts and transition plan aspects of their strategies.
- The Financial Markets Authority released its first Insights Report on the initial climate statements, providing generally positive feedback but outlining areas for improvement and clarifying its expectations.
- A public consultation on a New Zealand "sustainable finance taxonomy" was launched in mid-2025, with an initial focus on the forestry and agricultural sectors.
- Regulators and climate advocacy groups continue to scrutinise "greenwashing" practices.

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 disclosure, which applies to NZX-listed issuers of equity securities.

The Financial Markets Authority (**FMA**) has published guidance that sets out its expectations from 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

(a) The Financial Markets Conduct Act 2013 (**FMCA**) requires certain entities to make prescribed climate-related disclosures.

(b) The regime applies to "Climate Reporting Entities" (**CREs**), comprising: large listed companies (with a market capitalisation of more than NZ$60 million), large registered banks, large licensed insurers, large credit unions, large building societies, and fund managers with significant assets under management (of more than NZ$1 billion).

(c) 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".

(d) 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 prepared their respective first-year climate statement in relation to the accounting period ending 30 June 2024. Those CREs are now required to prepare their second-year climate statement for the period ending 30 June 2025, to be published within four months of that balance date.

(e) 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 & NZX Guidance

(a) 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.

(b) 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 an issuer's business against strategic goals.

(c) The 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

The FMA published a disclosure framework (**FMA Disclosure Framework**) for issuers of financial products that incorporate non-financial features (which the FMA refers to as "integrated financial products").

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.

The NZX 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, hence is 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 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 associated risks 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.

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 NZX Corporate Governance Code and NZX Guidance infer 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.

The FMA Disclosure Framework infers that the approach to materiality is double materiality. The FMA expects an integrated financial system to require organisations to consider the impact of their activities on the environment, communities and individuals, alongside traditional financial factors. This also requires organisations to identify ESG risks for their business and to disclose how these will impact the business' financial performance.

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. Disclosure of Scope 3 emissions by each CRE in its first and second year of reporting is encouraged, but not required. 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.

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. However, 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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

Mandatory climate reporting

Yes.

GHG disclosure included in climate statements must be subject to an assurance engagement, but there is no external assurance requirement for an entity's first climate-related disclosure statement. For reporting years ending on or after 27 October 2024, each CRE in its second reporting year is now required to obtain independent assurance over their GHG emissions disclosures. However, CREs may apply a newly introduced exemption by the XRB to exclude Scope 3 GHG emissions from the scope of assurance for accounting periods ending before 31 December 2025. This relief is subject to disclosure conditions. Nevertheless, assurance remains mandatory for Scope 1 and Scope 2 emissions in the second reporting year.

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 cover other parts of the climate-related disclosure as well, or the whole statement.

The assurance report will need 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 or adopted a taxonomy on sustainable activities? Is it mandatory and what is its scope of application?

The three standards (listed above in section A.4) provide a taxonomy. In particular, NZ CS 3 establishes a glossary of defined terms as a taxonomy. The taxonomy exists within the mandatory reporting regime. It is described as an integral part of NZ CS 3. It includes definitions of key terms, such as "greenhouse gas", "scope 1 emissions", "scope 2 emissions", and "scope 3 emissions".

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 is now underway in mid-2025, focusing on defining clear criteria for sustainable activities. The taxonomy is expected to be finalised later this year with an initial focus on the forestry and agricultural sectors.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

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. To that end, they will continue to engage with the ISSB and monitor their work.

In May 2025, the XRB opened a request for information on the costs and benefits of aligning New Zealand climate reporting with international standards. That consultation closed on 13 June 2025.

A post-implementation review of New Zealand Climate Standards will commence in December 2025, where the XRB will consider aligning with requirements in international standards if they meet user needs and the objective of the New Zealand Climate Standards.

12 Other upcoming developments / direction of travel

CREs have now completed first-year mandatory climate statements, marking a significant milestone in New Zealand's climate-related disclosure regime. The FMA and XRB continue to play key roles in shifting the focus from preparation support to monitoring and enforcement.

In December 2024, the FMA released its first Insights Report on Climate-related Disclosures, highlighting common areas for improvement and best practices observed from the initial statements of CREs.

As CREs prepare their second-year climate statements for accounting periods commencing in 2024, the FMA's insights and ongoing monitoring are expected to shape future guidance, enforcement priorities and regulatory enhancements.

Disclosure of current financial impacts of climate-related impacts is now mandatory for second-year climate statements and is likely to be an area of focus for the FMA's monitoring activities.

New Zealand has not progressed dedicated modern slavery legislation, despite initial proposals under the former Labour-led Government. A draft legislative framework was consulted on in 2022, with broad support for introducing disclosure obligations and new measures to address exploitation in supply chains. However, the current National-led coalition Government has not prioritised the issue and has focussed on other areas of reform. In recent months, two separate Members' Bills have been submitted, both of which propose modern slavery reporting requirements for businesses and steps to address exploitation in supply chains (one from National MP, Greg Fleming in relation to annual reporting and one from Labour MP, Camilla Belich proposing more extensive obligations, including referral duties). Given that Members' Bills are only debated when drawn from a random ballot, the Bills have no guaranteed path forward unless selected in the ballot, or otherwise adopted by the Government.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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, where the target is to reach a 24-27% reduction below 2017 levels by 2050).

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 published its report following consultation on whether the 2050 target remains fit for purpose. The Climate Change Commission recommended updating the 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 the end of 2025.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

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) requires emitters to measure and report on their GHG emissions;

(b) requires emitters to surrender one "emissions unit" (known as an NZU) to the Government for every one tonne of emissions they emit; and

(c) limits the number of NZUs available to emitters (i.e., that are supplied into the scheme).

The Government sets and reduces the number of units 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 units reflects supply and demand in the scheme.

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. However, 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.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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, but is now mandatory for second-year climate statements.

The XRB has prepared guidance on New Zealand Climate Standard 1. In December 2024, it also published staff guidance documents on transition planning to support CREs that are preparing their second-year climate statements.

There is currently no requirement to consider social impacts as part of the transition plan disclosure. We are not aware of any plans to implement this requirement.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

There is no mandatory requirement to set targets. However, in its climate statement, a CRE is required to include 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 Other upcoming developments / direction of travel

The exemption for disclosure of anticipated financial impacts of climate-related risks and opportunities has been extended and remains available for second-year reporting.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

Whilst the consumer and financial markets regulators (the Commerce Commission and the FMA) have each issued regulatory guidance regarding greenwashing, 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. Lawyers for Climate Action originally complained to the Commerce Commission, who acknowledged the issues in the complaint, but declined to investigate. The case is expected to proceed to trial in 2026.

(b) **Fonterra**: In September 2024, Greenpeace Aotearoa issued proceedings against Fonterra regarding the labelling of Anchor butter as "100% grass-fed".

(c) **Vanguard** was issued a warning letter by the FMA for failing to disclose details within the required time with regards to infringement notices filed against it in Australia for alleged greenwashing (March 2023).

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 (January 2024).

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 our comments under 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 in both consumer and financial markets contexts.

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 any greenwashing claims where large numbers of consumers are affected.

PHILIPPINES

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

ESG in APAC – Philippines
By SyCip Salazar Hernandez & Gatmaitan

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- The following key sustainability-related bills failed to be enacted into law before the 19th Congress of the Philippines adjourned: (a) The ESG Reporting Act, which seeks to require all corporations to prepare and submit a sustainability report; (b) The Low Carbon Economy Act, which seeks to create a domestic cap and trade system; and (c) The Climate Accountability Act which seeks to impose sweeping climate-related obligations (including climate-related due diligence) on businesses.
- It remains to be seen if the above bills will be enacted during the current 20th Congress.
- Draft guidelines were issued on a framework for green equity offerings, which proposes to allow companies whose revenue is derived significantly from green activities and whose majority of investments are in green activities to apply for a "green equity" label.

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 requirements or recommendations are provided in the following:

(a) Securities and Exchange Commission (**SEC**) Memorandum Circular No. 4, Series of 2019 (Sustainability Reporting Guidelines for Publicly-Listed Companies) (**Sustainability Reporting Guidelines**), which applies to publicly-listed companies.

(b) SEC Memorandum Circular No. 24, Series of 2019 (Code of Corporate Governance for Public Companies and Registered Issuers)

(**CG Code for PCs & RIs**), which applies to public companies and registered issuers.

(c) Insurance Commission (**IC**) Circular Letter No. 2020-71 (Revised Code of Corporate Governance for Insurance Commission Regulated Companies) (**CG Code for ICRCs**), which applies to IC regulated companies.

(d) *Bangko Sentral ng Pilipinas* (**BSP**, the Philippine Central Bank) Circular No. 1085 (**Sustainable Finance Framework**), which applies to banks and has been incorporated as Section 153 of the Manual of Regulations for Banks.

(e) SEC regulations governing the issuance of green, social, sustainability, sustainability-linked, and blue bonds, and the establishment of Sustainable and Responsible Investment (**SRI**) funds.

While not a source of separate disclosure/reporting obligations, a guidance document issued by the Philippine Stock Exchange (**PSE**), ESG 101: A Reporting Guidebook, contains updated sustainability reporting regulations, data, and best practices that are relevant to Philippine listed companies. The guidance document is intended by the PSE to serve as a starting point for companies seeking to enhance their sustainability reporting capabilities.

A bill, Senate Bill No. 2765, was filed in the Philippine Senate seeking to enact the **ESG Reporting Act**, which will require all corporations – both stock and non-stock – to submit a sustainability report to the SEC in accordance with implementation guidelines or directives to be issued by the SEC. However, the Philippines' 19th Congress adjourned on 30 June 2025 without enacting the bill into law. The bill will have to be re-filed in the 20th Congress to be further considered. Under the ESG Reporting Act, the SEC will have the authority to prescribe the reporting standard or framework to be used by reporting entities.

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

(a) The SEC's Sustainability Reporting Guidelines adopted the comply or explain approach for the first three years of its implementation. While the SEC has stated in various public fora that the reporting requirement shall be upgraded to mandatory after the first three years of implementation (i.e. from 2023), the SEC has yet to issue a regulation to formalise this.

(b) The reporting requirements under the CG Code for PCs & RIs and the CG Code for ICRCs apply on a comply or explain basis.

(c) The requirements under the BSP's Sustainable Finance Framework are mandatory.

(d) The reporting requirement under SEC regulations concerning green (including blue), social, sustainability, and sustainability-linked bonds, and SRI funds are mandatory.

4 Which aspects of ESG do the requirements focus upon?

(a) The SEC's Sustainability Reporting Guidelines focus on economic, environmental (including climate) and social issues.

(b) The CG Code for PCs & RIs and the CG Code for ICRCs focus on economic, environmental, social, and governance issues.

(c) The BSP's Sustainable Finance Framework focuses on environmental and social risks.

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

(a) The SEC's Sustainability Reporting Guidelines draws from the GRI's Sustainability Reporting Standards, the SASB's Sustainability Accounting Standards, the recommendations of the TCFD, and the UN Sustainable Development Goals.

(b) The CG Code for PCs & RIs and the CG Code for ICRCs recommend that companies adopt a globally-recognised standard or framework in reporting sustainability and non-financial issues, but does not recommend a specific standard or framework.

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

(a) The SEC's Sustainability Reporting Guidelines focus on impact materiality.

(b) The CG Code for PCs & RIs and the CG Code for ICRCs focus on impact materiality.

(c) The BSP's Sustainable Finance Framework 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.

The reporting template under the SEC's Sustainability Reporting Guidelines includes disclosures of "Direct (Scope 1) GHG Emissions," "Energy indirect (Scope 2) GHG Emissions," and "Emissions of ozone-depleting substances". The Sustainability Reporting Guidelines do not prescribe any specific measurement methodology for calculation of Scope 1 and Scope 2 emissions. However, they provide guiding principles for disclosures, including that disclosures must be consistent over time, be comparable among companies within a sector, industry or portfolio, and be reliable, verifiable and objective.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

External review is recommended under SEC rules governing the following:

(a) Issuance of green bonds;

(b) Issuance of social bonds; and

(c) Issuance of sustainability bonds.

External review and verification are strongly encouraged under SEC rules governing the issuance of blue bonds.

External review is required under SEC rules governing the issuance of sustainability-linked bonds.

There are no mandatory assurance requirements in relation to disclosures under the SEC's Sustainability Reporting Guidelines.

The ESG Reporting Act, as proposed by Senate Bill No. 2765, would require independent assurance. Climate-related disclosures in the sustainability report would be subject to reasonable assurance or limited assurance, while other sustainability disclosures outside of those climate-related disclosures would be subject to limited assurance, or as needed to be determined by the SEC. However, as noted, it has not yet been enacted into law.

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 or adopted 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 IC. It serves as an overarching guide for the financial sector and its stakeholders to operationalize 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. Banks were given until end-December 2024 to deepen their understanding and familiarity in applying the SFTG. Starting 2025, the BSP began collecting information related to the use of the SFTG.

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 and/or the TNFD)? If so, please give details.

In late 2023, the SEC issued for public comment a draft memorandum circular on the Revised Sustainability Reporting Guidelines for Publicly Listed Companies (**Revised Sustainability Reporting Guidelines**) to enhance sustainability reporting by listed companies, but subsequently deferred its implementation. After receiving comments from the public, the SEC announced that the finalised Revised Sustainability Reporting Guidelines is planned for release within 2025 and its implementation will follow a phased timeline (which has not yet been announced). Sustainability reports covering the year 2024, which are due in 2025, will be covered by the SEC's existing Sustainability Reporting Guidelines issued in 2019.

Separately, the Philippine Sustainability Reporting Committee (**PSRC**) has been established to evaluate ISSB Standards for local use and to issue local interpretation and guidance. The PSRC is preparing a jurisdictional roadmap for the adoption of IFRS S1 and S2 in the Philippines. In a private sector forum hosted by the PSRC, it was disclosed that the PSRC is looking at separate timelines for adoption, first, for listed companies and universal and commercial banks, and subsequently, for large corporations and other types of banks. The Professional Regulatory Board of Accountancy (**BOA**) published a resolution resolving to adopt IFRS S1 and IFRS S2 as endorsed by the PSRC. It has been reported that, in view of the BOA resolution, the SEC and the Philippine Stock Exchange (**PSE**) have been undertaking certain steps and dialogues with stakeholders to assess the readiness of the market, but the timeline for application is not yet known.

While the SEC is represented in the PSRC, it appears that the roll out of the Revised Sustainability Reporting Guidelines will not necessarily coincide with the adoption of the ISSB Standards as part of financial reporting of covered entities.

12 Other upcoming developments / direction of travel

The SEC issued a draft of Memorandum Circular on the Guidelines for the Philippine Green Equity (**SEC Guidelines on Philippine Green Equity**). The SEC Guidelines on Philippine Green Equity establishes a framework for "green equity" offerings (i.e., issuance or designation of shares) which will allow companies to apply for a "green equity" label, providing greater visibility of their "green activities." "Green equity" refers to a company whose revenue is derived significantly from activities considered green and whose majority of investments are in activities considered green. The draft guidelines contain reporting obligations on those with a green equity label, including disclosures on activities considered green and environmental targets. The draft guidelines are currently undergoing revisions after the SEC received substantial comments from the public.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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.

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: (i) Ecological and Environmental Stability; (ii) Climate-Smart Industries and Services; (iii) Sustainable Energy; and (iv) Knowledge and Capacity Development. The Philippine Sustainable Finance Roadmap lays out an action plan to promote sustainable finance in the Philippines, with its first phase focusing on the transition to a low carbon economy.

The STFG (discussed in section A.10) seeks to operationalize the Philippine Sustainable Finance Roadmap.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

There is currently no carbon trading market in the Philippines. However, a bill for the enactment of the **Low Carbon Economy Act** was filed in the Philippine Senate (the upper house of Congress). It provides for, among others, a domestic cap and trade system, with provisions on emission reduction measures and targets, a cap on GHG, allowances, and the establishment of a carbon trading system. A counterpart bill has also been filed in the House of Representatives (the lower house of Congress). Under the bills, annual emission/avoidance targets, including the sectors and levels to be covered, will be determined annually by the President of the Philippines through the recommendation of a steering committee. The Philippines' 19th Congress adjourned last June 30 without the bills having been enacted into law. It is expected that bill will be re-filed in the 20th Congress.

Earlier in 2024, the 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.

Under the Extended Producer Responsibility Act of 2022 (**EPR Act**), a mandatory EPR scheme is in place for producers of plastic packaging, with fines imposed for failure to meet specified recycling targets. Producers are required to recover up to 80% of their plastic packaging waste by 2028.

There are proposed accountability mechanisms for certain businesses and carbon majors for adverse climate change impacts under the CLIMA bill referred to in B.5 below, but it is unclear if the bill will be enacted as proposed.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

No, it is not mandatory to have a transition plan for listed companies, public companies, registered issuers, and IC regulated companies. It is also not mandatory for them to disclose whether they have a transition plan.

On the other hand, banks are required to have a transition plan with specific timelines to implement board-approved strategies and policies that integrate sustainability principles into their corporate governance, risk management frameworks, strategic objectives, and operations. However, this transition plan relates to the bank's sustainability policies and objectives generally and

is not necessarily limited to the transition towards a lower-carbon economy.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

No, there are no mandatory requirements for companies to set climate targets.

However, there are disclosure requirements under the SEC's Sustainability Reporting Guidelines, which requires listed companies to disclose (i) the organization's governance around climate-related risks and opportunities; (ii) the actual potential impacts of these climate-related risks and opportunities; (iii) how the organization identifies, assesses, and manages climate-related risks; and (iv) the metrics and targets used to assess and manage relevant climate-related risks and opportunities.

The CLIMA bill referred to in B.5 below includes proposed requirements for certain businesses and carbon majors to reduce their GHG emissions, but it is unclear if the bill will be enacted as proposed.

5 Other upcoming developments / direction of travel

A bill, House Bill No. 9609, was filed in the Philippine House of Representatives in 2023 seeking to enact **The Climate Accountability (CLIMA) Act**. One of the key features of The CLIMA Act is the imposition of responsibilities on businesses that have reported a gross income of PHP 100 million in the previous tax year and carbon majors (regardless of gross income) to:

(a) make climate-related financial disclosures;

(b) measure and analyse their GHG emissions and strategically reduce their GHG emissions;

(c) prevent human rights abuses throughout their value chains; and

(d) conduct due diligence on and address their climate change-related human rights impacts.

However, the Philippines' 19th Congress adjourned on 30 June 2025 without the bill having been enacted into law. The bill will have to be re-filed in the 20th Congress to be further considered and it remains to be seen whether the bill will be enacted in its current form.

If established, the "green equity" framework (mentioned in A.12 above) is intended to complement sustainable debt instruments to expand the range of sustainable investment products in the market and further support the transition towards a net zero carbon economy.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

A group of consumers filed a case before the Department of Trade's Fair Trade Enforcement Bureau against certain manufacturers of fast-moving consumer goods, alleging false or misleading recyclability claims on the plastic packaging of the respondents. One respondent has agreed to settle the case. In news reports on the settlement, said respondent stated that it is compliant with applicable laws and regulations, but recognized opportunities to improve labelling to comply with the EPR Act, the Consumer Act and other relevant guidelines. The case is still pending as to the other respondents.

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 organization'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 false 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, as proposed by House Bill 9609, 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 pretenses 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 unauthorized 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-emphasizing sustainability or ESG features in any communication or advertising materials.

4 Other upcoming developments / direction of travel

With the enactment of the EPR Act, which requires product producers (including brand owners and product manufacturers) to recover up to 80% of their plastic packaging waste by 2028, environmental claims made by product producers may become subject to even greater scrutiny by consumer and public interest groups.

SINGAPORE

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

ESG in APAC – Singapore
Allen & Gledhill LLP

YEAR IN REVIEW

(Key developments since 1 July 2024)

- 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 has been 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 taxes will be raised from S$25 to S$45 per tonne in 2026.
- 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, funds with an ESG focus, and financial institutions in Singapore:

(a) **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; (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 climate-related disclosures (**CRD**) will apply under a three-tier structure that phases reporting obligations based on market capitalisation:[4]

(i) For all listed companies, Scope 1 and 2 GHG emissions reporting is mandatory from FY2025 while external limited assurance for Scope 1 and 2 GHG emissions is deferred to FY2029.

(ii) For listed companies that are constituents of the Straits Times Index (**STI**)[5], other ISSB-based climate-related disclosures (**CRD**) is mandatory from FY2025 while Scope 3 GHG emissions reporting will be mandatory from FY2026.

(iii) 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.

(b) **Large non-listed companies (NLCos)**

Pursuant to the recommendations of the Sustainability Reporting Advisory Committee (**SRAC**), which was formed by the Accounting and Corporate Regulatory Authority (**ACRA**) and Singapore Exchange Regulation (**SGX RegCo**),[6] reporting by NLCos with an annual revenue of at least S$1 billion and total assets of at least S$500 million (**Large NLCos**) on ISSB-aligned CRD (including Scope 1 and 2 GHG emissions) is deferred to FY2030. 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.

(c) **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

[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.

[6] "Climate reporting to help companies ride the green transition" (SGX Group, 28 February 2024).

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.

(d) **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.

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

(a) **Climate-related disclosures and sustainability reporting for SGX-listed issuers.** Please refer to the responses in section A.2(a). Scope 1 and 2 GHG emissions reporting is mandatory from FY2025 for all listed companies. Other ISSB-related CRD and Scope 3 GHG emissions reporting is mandatory for STI constituents from FY2025 and FY2026 respectively as ACRA and SGXRegCo 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$1billion and from FY2030 for companies whose market capitalisation is less than S$1billion. Other primary components of a sustainability report are to be disclosed on a "comply or explain" basis in FY2025 and become mandatory from FY2026.

(b) **Climate-related disclosures for Large NLCos**. Large NLCos are required to report ISSB-aligned CRD, excluding Scope 3 GHG emissions, from FY2030.

(c) **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.

(d) **Financial institutions.** The ENRM Guidelines set out MAS's supervisory expectations for banks, insurers and asset managers to strengthen their governance, risk management, and disclosure of environmental risk. 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.

(e) **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 on 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)?

(a) **SGX Listing Rules.** SGX-listed issuers are required to report climate-related disclosures in accordance with all applicable requirements of IFRS S2. Issuers are also encouraged to apply the requirements in IFRS S1 insofar as they relate to the disclosure of information on climate-related risks and opportunities.

The same approach will apply to Large NLCOs.

Each metric from SGX's Core ESG Metrics is mapped against globally accepted reporting frameworks such as the GRI, SASB, TCFD and World Economic Forum's metrics.

(b) **MAS Circular.** While the Circular does not mandate adherence to a specific global standard like ISSB or 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.

(c) **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)?

(a) **Climate-related disclosures for SGX-listed issuers and Large NLCOs.** In line with the ISSB Standards, the requirements adopt a single materiality approach. However, issuers may choose to adopt a double materiality approach, if they consider that it serves their stakeholders' needs.[7]

(b) **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.

(a) **Scope 1 and 2 GHG emissions.** Scope 1 and 2 GHG emissions reporting is mandatory from FY2025 for all listed companies. Other ISSB-related CRD and Scope 3 GHG emissions reporting is mandatory for STI constituents from FY2025 and FY2026 respectively. Please see response in sections A.2 and A.3 above.

The required measurement methodology is in line with IFRS S2.

(b) **Scope 3 GHG emissions**. This requirement is currently voluntary until further notice for non-STI constituent listed companies and

[7] See Practice Note 7.6 on the Sustainability Reporting Guide.

large NLCos. Scope 3 GHG emissions reporting is mandatory for STI constituent listed companies from FY2026.

(c) **MAS Circular**. MAS does not require ESG funds to disclose GHG emissions.

(d) **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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce 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.

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.

Where they do make voluntary disclosures, non-publicly listed companies tend to refer to sustainability reports published by listed companies.

10 Has your jurisdiction issued or adopted 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 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

[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).

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 and/or the TNFD)? If so, please give details.

Yes, the climate-related disclosures in IFRS S1 and 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 S2 standards.

12 Other upcoming developments / direction of travel

(a) **Nature-related risks and unlocking financing opportunities**. The Singapore Sustainable Finance Association (**SSFA**) released a whitepaper entitled "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]

(b) **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 for 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.

(c) **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]

(d) **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. Enterprise Sustainability Programme

[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.

[12] "Keynote Address by Mr Gan Kim Yong, Deputy Prime Minister and Minister for Trade and Industry" (25 June 2025).

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 PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes. Singapore has committed to achieving net zero emissions by 2050. In FY2025, Singapore has also committed to further reduce emissions to between 45 and 50 million tonnes of carbon dioxide equivalent in 2035 after peaking emissions earlier as part of its revised 2035 NDC.[14]

To facilitate the attainment of these goals, Singapore unveiled the 2030 Green Plan, where Singapore plans to reduce emissions by:

(a) Transforming its industries, economies and societies towards adopting more renewable energy, greater energy efficiency and reducing energy consumption.

(b) Adopting advanced low-carbon technologies and use of low-carbon fuels.

(c) Implementing effective international collaboration, relating to international climate action, regional power grids, and market-based mechanisms.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

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 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.

Singapore has been engaging likeminded 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 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.

A mandatory packaging reporting framework has 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. A beverage container return scheme will be the first phase of the EPR approach for packaging waste management, though its implementation has been delayed until April 2026. A mandatory EPR is in place for e-waste.

[13] "MTI COS 2023 – Supporting businesses and worders 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).

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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) for SGX-listed companies to make climate-related disclosures based on the ISSB Standards, which includes information related to transition plannings.

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. In 2023, MAS issued a set of consultation papers proposing guidelines on transition planning for FIs (**Proposed Transition Planning Guidelines**). The Proposed Transition Planning Guidelines are intended to provide further guidance on additional granularity in relation to the transition planning processes of FIs. These consultation papers focus on FIs' internal strategic planning and risk management processes to prepare for risks and potential changes in business models associated with the transition.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

Please see section B.3. 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.

5 Other upcoming developments / direction of travel

(a) **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.

(b) **Green Plan 2030.**[15] 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.

(c) **Guidelines on transition planning for FIs.** Given the urgency to fulfil net zero commitments amidst the worsening effects of climate change, Singapore has placed greater emphasis on adapting business models to rising temperatures. MAS has expressed that

[15] "Charting Singapore's Low-carbon and Climate Resilient Future" (National Climate Change Secretariatat, Strategy Group, Prime Minister's Office).

FIs have both the means and motive to do so. It released the Proposed Transition Planning Guidelines in 2023 to communicate its supervisory expectations for FIs to allocate appropriate resources and commence adaptive action as soon as possible.

(d) **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 RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing 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 15 February 2023, Market Forces, a climate activist group in Australia, filed a complaint to SGX against a power generator for not fully disclosing risks related to its US$300 million bond issue on SGX in 2022, notably of:

(a) The material financial risk associated with its exposure to the Liquified Natural Gas industry; and

(b) Ongoing litigation which could have a material effect on its future financial prospects.

In March 2022, the Competition and Consumer Commission of Singapore (**CCCS**) awarded a grant to researchers from the Centre for Governance and Sustainability at the National University of Singapore Business School to look into greenwashing on e-commerce websites in Singapore. The research survey indicated that there may be a need to update and clarify existing laws and regulations to protect consumers.

Following the publication of findings from the CCCS-funded study, in November 2023, the CCCS advised suppliers on the making of environmental claims on e-commerce websites which found the use of vague environmental claims and confusing technical jargon on such websites. Please see the response in section C.2 below.

The CCCS is developing a set of guidelines to provide greater clarity to suppliers on the environmental claims that could amount to unfair practices under the Consumer Protection (Fair Trading) Act 2003 (**CPFTA**) and will seek public feedback on the guidelines in due course.

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:

(a) **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.

(b) **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 from 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.

(c) **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.

(d) **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.

(e) **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.

CCCS 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.

On 16 November 2023, CCCS announced that it is currently developing a set of guidelines to help companies make fair and accurate claims about the "green" credentials of their products. In the meantime, it has expressed that the onus is on businesses to be transparent and abstain from misleading consumers using technical jargon and vague claims.

CCCS 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.

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/ guidance issued by financial regulators on the marketing of financial products and SGX Rulebooks.

Separately, CCCS 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. CCCS has adopted a streamlined two-phase approach to assess and identify such agreements.

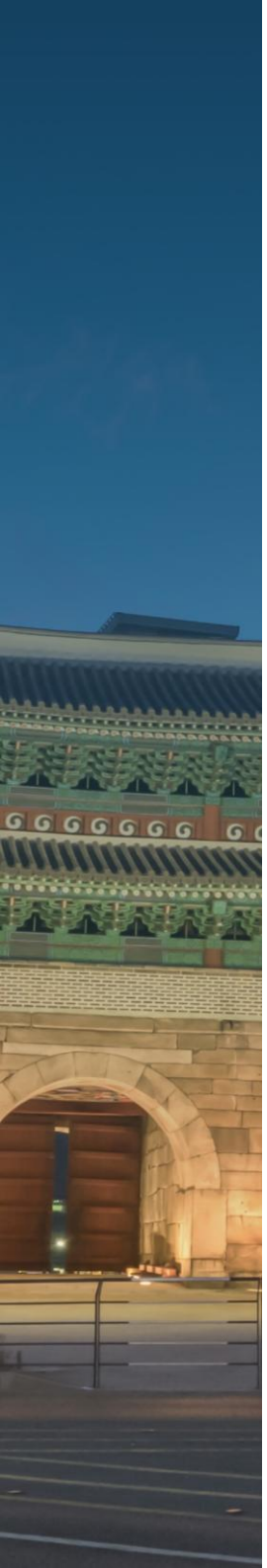
4 Other upcoming developments / direction of travel

Singapore Minister of State for Trade and Industry, Alvin Tan, said in Parliament on 21 March 2023 that Singapore is studying developments on greenwashing in other jurisdictions "to assess if any specific guidance or regulations would be useful in the Singapore context".

This is even while the current scope of the CPFTA is "sufficiently broad" to address greenwashing claims by a supplier in a business-to-consumer transaction, and there are existing guidelines under the SCAP to ensure that advertisers clearly explain, adequately substantiate and qualify any environmental claim where necessary.

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.

Please see the response in section C.1 on the development of guidelines by CCCS to help companies make fair and accurate claims about the "green" credentials of their products.



SOUTH KOREA

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

ESG in APAC – South Korea
By Shin & Kim LLC

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

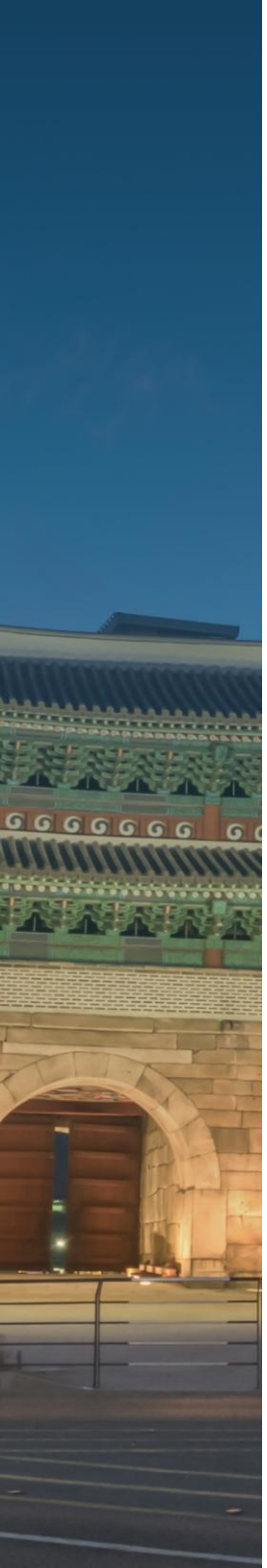
- Korea continues to advance its ESG and climate policy framework through enhanced green taxonomy, upcoming NDC targets, and increased regulatory scrutiny on greenwashing.
- Korea's green taxonomy has been expanded and updated, with expanded technical criteria to support green bonds and lending.
- Korea's 2035 NDC will be finalised and submitted to the UN around September 2025.
- The KFTC took action against several companies for greenwashing, issuing warnings and a corrective order due to misleading consumer-facing green claims.
- The final KSSB Disclosure Standards (based on the ISSB Standards) are expected to be released by the end of 2025 and implemented after 2026.

A. ESG REPORTING

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

There is a voluntary disclosure regulation on the publication of sustainability reports by listed companies. 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.

Korea Composite Stock Price Index (**KOSPI**) constituents are required to issue corporate governance reports covering 10 core principles of corporate governance.



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

As major economies enhance their ESG disclosure requirements, the South Korean government is also developing disclosure requirements to assist domestic companies in complying with the escalating global ESG standards.

The Korea Sustainability Standards Board (**KSSB**) released draft ESG disclosure standards (**KSSB Disclosure Standards**) in April 2024. Although the announcement of details of the ESG disclosure system and the timeline for its introduction have been delayed, the final KSSB Disclosure Standards are expected to be released by the end of 2025 and implemented after 2026.

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.

4 Which aspects of ESG do the requirements focus upon?

The "ESG Disclosure Guidelines" released by KRX require disclosure of environmental, social and governance aspects.

The draft KSSB Disclosure Standards consist of three parts:

(a) No. 1 (General Requirements for Sustainability-related Financial Information Disclosures);

(b) No. 2 (Climate-related Disclosures); and

(c) No. 101 (Additional Disclosures for Policy Purposes).

The first two standards are mandatory for companies, while the third is optional. Under standard No. 2, companies are required to prioritise and disclose climate-related information among ESG factors.

Companies may select and disclose information about sustainability-related risks and opportunities other than climate-related information.

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

The "ESG Disclosure Guidelines" published by KRX summarise and provide companies with key ESG factors based on GRI.

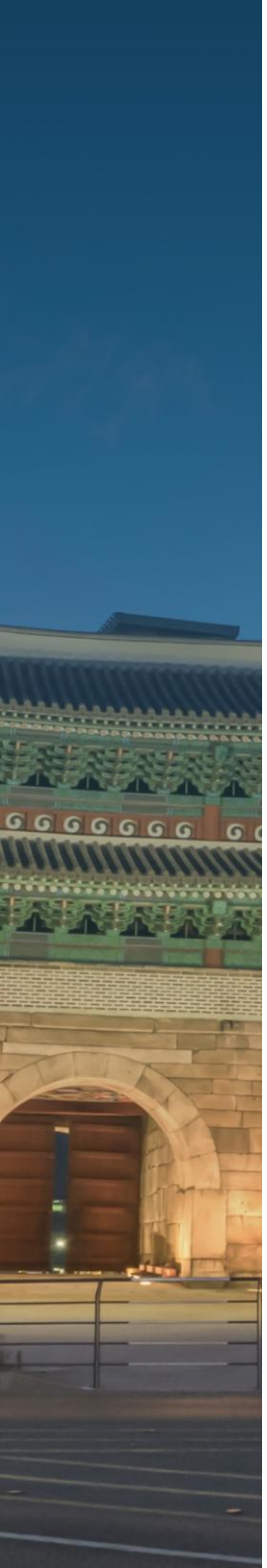
The draft KSSB Disclosure Standards are based on IFRS S1 and S2 and have been modified to reflect the circumstances of domestic companies. The KSSB has stated that it established these disclosure standards to provide useful information to investors, taking into consideration international harmonization and acceptability to companies.

In addition, many companies voluntarily adopt a variety of international reporting standards, such as GRI, SASB, TCFD, and others.

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

The draft KSSB Disclosure Standards are based on the ISSB Standards and therefore adopt a single materiality approach, requiring disclosure of information for 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.

Additionally, in accordance with Article 16-8 of the Environmental Technology and Industry Support Act, all central administrative agencies, local governments, public institutions, national and public universities, local public corporations, regional public corporations, local medical centers, management companies under Article 27, Paragraph 1 of the Framework Act on Carbon Neutrality and Green Growth for Coping with Climate Crisis, listed companies with total assets of KRW 2 trillion or more on a consolidated basis, and green companies (as designated by the Minister of Environment for their efforts in reducing pollutants, saving resources and energy, and improving environmental performance) are required to register and submit environmental information through the Environmental Information Disclosure System. The system categorises disclosures into mandatory and voluntary topics, and disclosure of GHG emissions (Scope 1, 2, and 3) is voluntary.

However, according to an announcement in October 2023, Scope 1 and 2 will become mandatory disclosures in the future, whilst Scope 3 will be phased in gradually. See expected enhancements to the system mentioned in section A.12 below.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce 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 choose to pay for third-party assurance at their own expense.

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

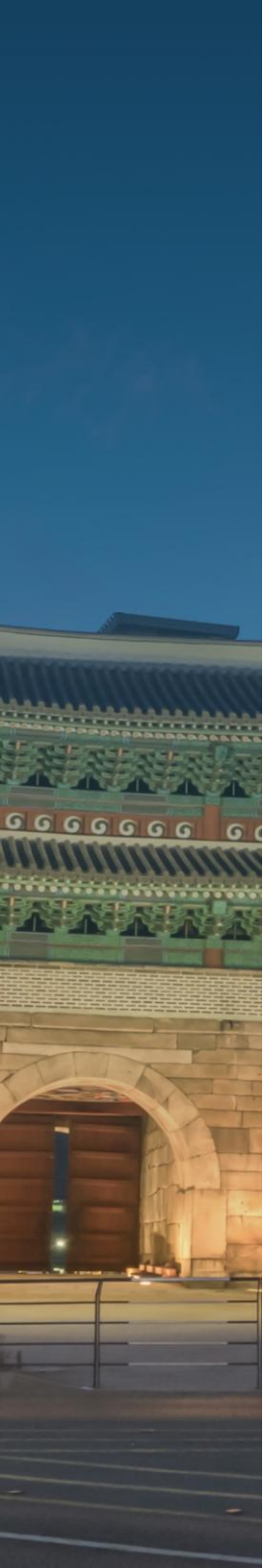
Yes, many companies voluntarily disclose their ESG information using various global initiatives and guidelines (GRI, SASB, TCFD, etc.), and the number of companies publishing sustainability reports has increased significantly. According to the KRX ESG portal, 131 companies had published sustainability reports in 2022, and this number increased to 161 in 2023 and to 204 in 2024.

10 Has your jurisdiction issued or adopted 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 (**K-taxonomy**) under the Environmental Technology and Environmental Industry Support Act. In December 2021, the Ministry released the "The Korean Green Taxonomy (K-Taxonomy) Guideline", which outlines principles and criteria for categorizing 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.

The guidelines were 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 2024, the guidelines were further updated to include 10 new green economic activities and revise 21 existing ones, particularly in areas such as water conservation, circular economy, pollution control, and biodiversity. With 25 new and 6 updated technical criteria introduced, the updated taxonomy is expected to play a key role in green bond issuance and serve as a foundational reference for green lending guidelines starting in 2025.



11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

As mentioned above, the draft KSSB Disclosure Standards are based on IFRS S1 and S2 and are currently in draft form. The draft 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 S2 respectively, are mandatory disclosure standards, while Additional Disclosures (No. 101) is voluntary.

Regarding the scope and timeline, in January 2021, the Financial Services Commission announced plans to implement ESG disclosure requirements in a phased manner. Specifically, it stated that these requirements would apply to listed companies of a certain size (e.g., more than KRW 2 trillion in assets) starting in 2025, and to all listed companies on the KOSPI from 2030. However, in October 2023, mandatory ESG disclosure requirements under the KSSB Disclosure Standards were postponed to 2026 onward, and the asset size classification of applicable companies and the specific timing of the introduction will be determined later.

12 Other upcoming developments / direction of travel

(a) The Environmental Information Disclosure System Reorganization was scheduled to be released in October 2023, but has been delayed and is currently on hold. Key revisions include:

(i) changing the reporting entity from a site-by-site basis to a corporate entity to align with global ESG standards;

(ii) enhancing the provision of environmentally responsible investment information based on the K-taxonomy; and

(iii) mandatory disclosure of essential items such as GHG emissions (Scope 1 and 2 only; Scope 3 will be phased in), with non-core information excluded or consolidated.

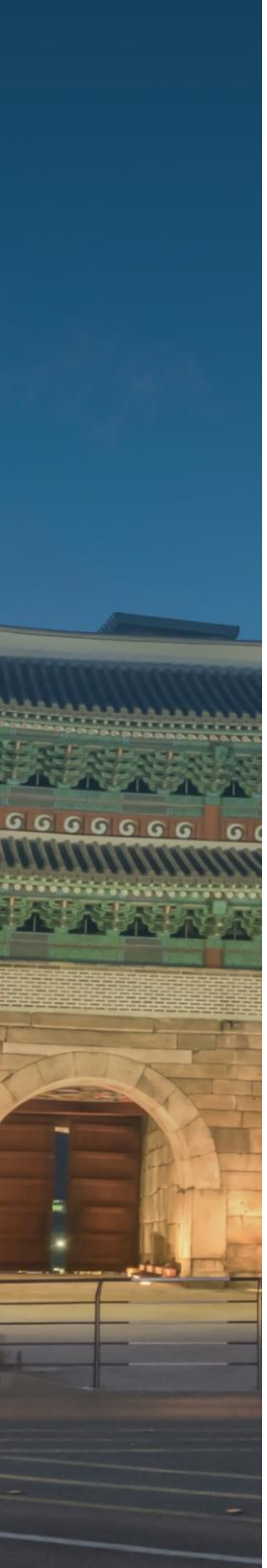
(b) A mandatory human rights and environmental due diligence bill (that was first tabled in 2023) has been revised and reintroduced to the legislative body in June 2025. The due diligence obligation (under the legislative bill for the Act on the Protection of Human Rights and the Environment for Sustainable Business Management) would apply to companies with 500 or more employees or annual revenue of KRW 200 billion or more, excluding SMEs. Covered companies would be required to establish a due diligence framework, assess actual or potential adverse impacts across their operations and supply chains, and publish annual reports. Non-compliance may lead to penalties, including fines, procurement bans, or imprisonment. It is still early days to predict the likelihood of the bill's passage.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes – to reduce Korea's carbon emissions by 40% before 2030 (compared to levels in 2018). In February 2025, Korea's Presidential Commission on Carbon Neutrality and Green Growth announced that the 2035 NDC will be finalised and submitted to the UN around September 2025.

The previous Korean government has outlined four major decarbonisation strategies: "low-carbonization of the economic structure", "creation of a low-carbon industrial ecosystem", "fair transition to a carbon-neutral society" and a "strategy of strengthening the foundation for a carbon-neutral system. No new carbon neutrality targets or strategies have been established as yet



since the new government took office in June 2025.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

In May 2012, the Emissions Trading Act was enacted, and in January 2015, the KRX launched the emission 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".

The Korean government has issued its GHG emission reduction targets roadmap, and accordingly allocates mandatory GHG reductions targets and emissions allowance for trading to companies whose GHG emissions exceed a certain scale, that can be traded through the emission exchange. In short, there is a mandatory compliance market for certain companies whose average total GHG emissions produced during the preceding three years are not less than 125,000 tons of comparable CO2 equivalents (CO2-eq) or with at least one place of business that has produced 25,000 tons of comparable CO2 equivalents (CO2-eq) on average during the preceding three years.

K-ETS' participants are government-designated companies and market makers. They are Korea Development Bank, Industrial Bank of Korea, Hana Financial Investment, Korea Investment & Securities, SK Securities, KB Securities, Shinhan Securities, and NH Investment & Securities.

There are also voluntary carbon markets in Korea, including a voluntary carbon market opened by the Korea Chamber of Commerce and Industry (**KCCI**), which is a leading organization in the voluntary carbon market in Korea. KCCI opened a carbon emission verification and evaluation service in March 2023. Currently, KCCI is working to ensure the reliability of credits by registering with the international standard of the International Civil Aviation Organization's Carbon Offsetting and Reduction Scheme for International Aviation.

Pursuant to the Act on the Promotion of Saving and Recycling of Resources, there are mandatory extended producer responsibility schemes for producers and importers of certain products and packaging materials (e.g. carton packs and synthetic resin) backed up by recycling targets. Failure to meet the targets attract charges.

Korea currently has no carbon tax that directly applies to emission levels.

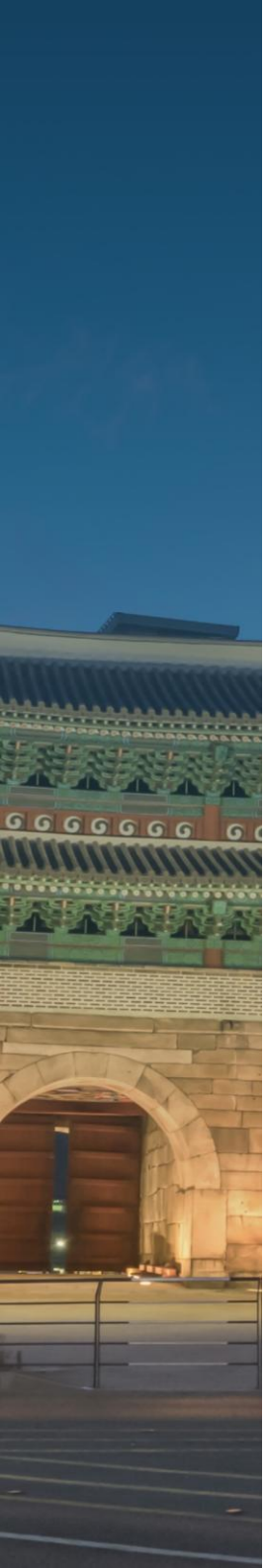
3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

It is currently not mandatory to have or disclose a climate-related transition plan.

The draft KSSB Disclosure Standards contemplate disclosure of any climate-related transition plans, including information on the key assumptions and the factors on which the company's transition plan relies. The transition policy disclosure method and details have not yet been finalised.

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?

Korea currently has no mandatory requirements for companies to set, meet and/or disclose climate-related targets. However, the Korean government plans to enact the KSSB Disclosure Standards with respect to mandatory disclosure based on the ISSB Standards after 2026. As noted above, the draft version, which is based on IFRS S1 and S2, was released by the KSSB in 2024 and requires the disclosure of any climate-related targets which the entity has set and is required to set under law.



5 Other upcoming developments / direction of travel

In order to achieve the 2030 carbon reduction target of 40% compared to 2018 levels, goals and implementation measures for each sector such as energy conversion and industry were established in 2021 and revised in March 2023, and the revised implementation measures are still ongoing.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

(a) In April 2025, The Korea Fair Trade Commission (**KFTC**) issued warnings against 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.

(b) 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.

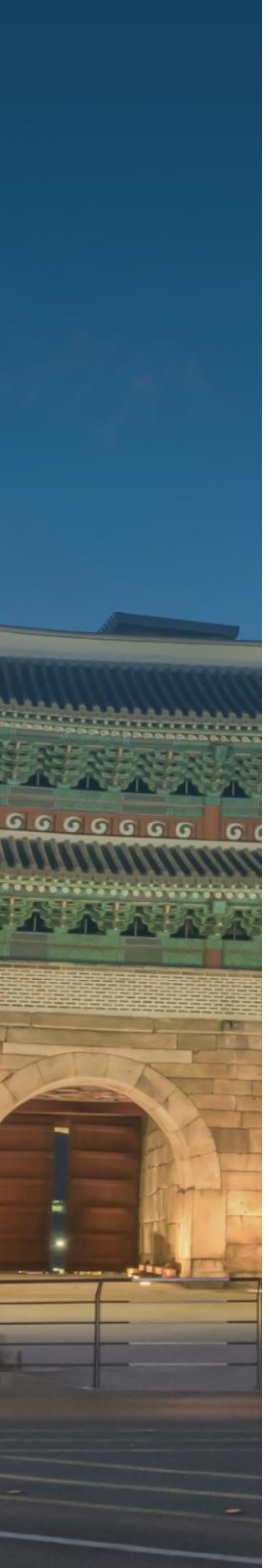
(c) In March 2024, Climate Solutions filed a complaint against eight companies (SK Corporation, SK Siltron, SKC, SK i-Technology, SK Telecom, SK hynix, POSCO, and POSCO Holdings) for violations of the Labelling and Advertising Act and the Environmental Technology Industry Act. The complaint alleges that 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 Korea Environmental Industry and Technology Institute.

(d) In February 2023, the Ministry of Environment issued an 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.

(e) 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 organization 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.

The "Guidelines for Labelling and Advertising of Eco-friendly Business Activities" provide examples on greenwashing.

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

Relevant grounds include:

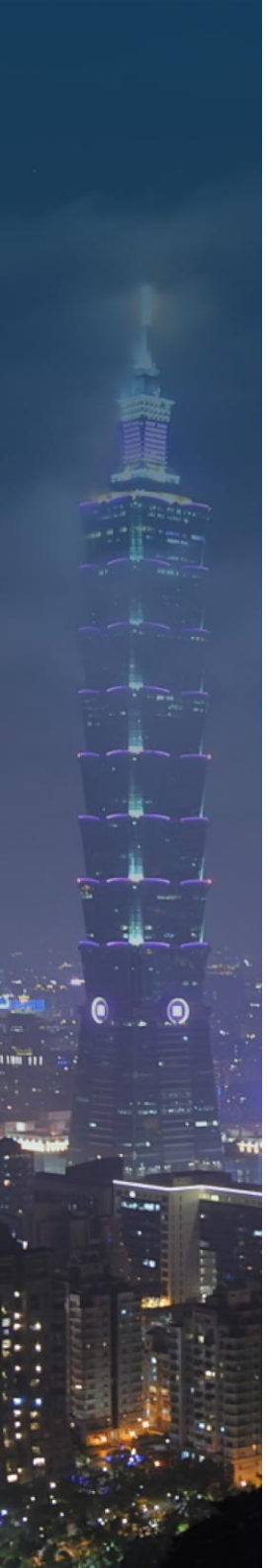
(a) breaches of "Guidelines for Labelling and Advertising of Eco-friendly Business Activities" – e.g. by providing false or exaggerated information about the environmental performance of a product and firm's disclosure;

(b) breaches of the Act on Fair Labelling and Advertising and 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

There are no other significant developments at this time.



TAIWAN

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

ESG in APAC – Taiwan
By Lee and Li, Attorneys-at-Law

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- The Ministry of Environment issued an amended List of Regulated GHG Emission Sources, expanding the scope to include additional industries, such as the IT service industry, retail businesses, hotels, and hospitals, to be subject to GHG accounting and reporting requirements.
- Sustability reporting requirements (that are fully-aligned with IFRS S1 and S2) will be phased in for listed companies from 2026 to 2028.
- Carbon fee regulations took effect on 29 August 2024, marking Taiwan's official entry into the carbon pricing era. A carbon fee scheme will apply to electricity and manufacturing businesses that emit over 25k tonnes of Scope 1 and Scope 2 GHG emissions per year. In-scope businesses must pay the carbon fee for the preceding year from May 2026, with preferential rates available for those who meet their proposed and approved GHG reduction targets.

A. ESG REPORTING

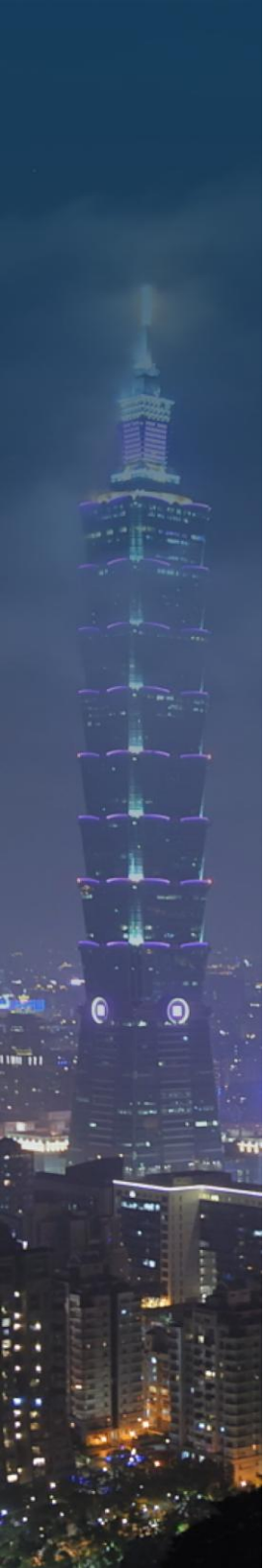
1 Are there legal or regulatory requirements for companies to make ESG disclosures in your jurisdiction?

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 announced by the Ministry of Environment (**MOE**) (formerly the Environmental Protection Administration) are required to report their GHG emissions each year by submitting relevant data to the registry of the MOE, and the data submitted must be verified by a certified verification institute. The MOE has announced the businesses which are in-scope: Businesses Subject to Accounting and Registration of Greenhouse Gases Emission Sources (**List of Regulated GHG Emission**



Sources) - see section A.7 below for more details.

Previously, the CCRA provided for the implementation of the accounting and reporting of GHG emissions in two phases, in which specific fields of businesses were regulated in turn. With the amendment of the List of Regulated GHG Emission Sources on 31 May 2023, all businesses stipulated in the List of Regulated GHG Emission Sources that meet the relevant threshold (i.e., 25k tonnes of GHG emissions) are subject to accounting, reporting, and verification requirements. In March 2025, the MOE issued an amended List of Regulated GHG Emission Sources, expanding the scope to include additional industries. Newly included sectors such as the IT service industry, retail businesses, hotels, and hospitals that meet their respective reporting thresholds are now subject to GHG accounting and reporting requirements. However, these newly added industries are not required to undergo verification of their GHG accounting results.

Under the Regulations for Management of Inventory, and Registration of Greenhouse Gases amended on 14 September 2023, 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. The reported data is publicly accessible on the MOE's Platform on GHG Emission Amount.

Listed companies and financial institutions

The Taiwan Stock Exchange's Corporation Rules Governing the Preparation and Filing of Sustainability Reports by Listed Companies and the Taipei Exchange's 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 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?

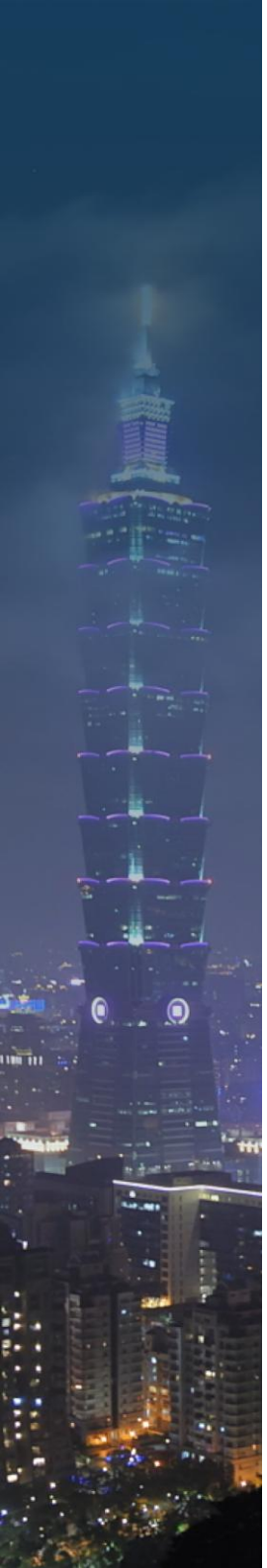
Listed companies are required to specify in their ESG reports various sustainability-related factors based on the FSC's requirements by industry, and must also indicate the response measures and their progress in respect of the risks and opportunities as a result of climate change (such as the short, medium-term and long-term plan for the operation and strategy of the company, financial impact of the climate change on the company, and GHG emission data, etc.). The reporting generally covers all the commonly seen ESG elements.

Businesses subject to the List of Regulated GHG Emissions Sources are required to report their GHG emissions.

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

The mandatory ESG reporting requirements in Taiwan incorporate the standards of GRI, TCFD and SASB.

Based on the Roadmap for Taiwan Listed Companies to Align with IFRS Sustainability Disclosure Standards released by FSC on 17 August 2023, starting in 2026, listed companies that reach a certain threshold of paid-in capital will be required to apply the ISSB Standards for the preparation of their annual reports. Such



required disclosure will be based on both IFRS S1 and IFRS S2. See section A.11 below for more details.

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

Currently, the reporting requirements of 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.

Further to section A.2 above, in the case of entities subject to the List of Regulated GHG Emission Sources, mandatory disclosure of GHG emissions applies to Scope 1 and Scope 2 emissions, whereas disclosure of Scope 3 emissions is encouraged but not mandatory. Entities subject to the List of Regulated GHG Emission Sources include the following, among others: (i) all businesses in Taiwan whose Scope 1 GHG emissions reach 25k tonnes per year, and (ii) all manufacturing businesses in Taiwan whose Scope 1 and Scope 2 GHG emissions altogether reach 25k tonnes per year.

The accepted measurement methodologies under the Regulations for Management of Inventory, and Registration of Greenhouse Gases include emission factors method, mass balance method, direct measurement, and any other measurement methods approved by the MOE.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

The sustainability indicators reporting and the Scope 1 and Scope 2 emissions reporting in ESG reports submitted by listed companies must be assured by certified institutions.

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

No. However, as ESG is becoming commonplace in the corporate world, the incorporation of ESG and other non-financial considerations into investment strategies have been gradually gaining momentum in Taiwan as more investors realise that ESG investing is able to boost their portfolios and profitability.

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

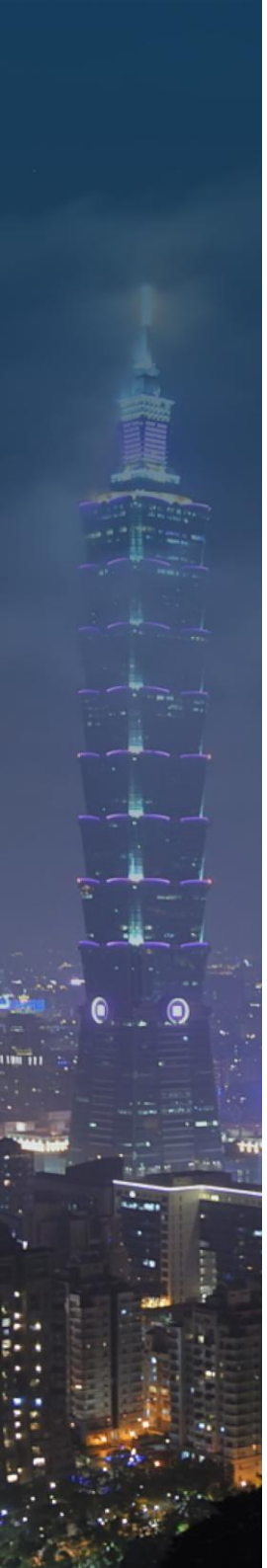
Yes. In December 2022, various regulators jointly promulgated the Taiwan Taxonomy Guidelines for Sustainable Activities that include 29 types of regular economic activities (e.g., transportation and logistics) and 14 types of enabling economic activities (e.g., CCUS technologies). The taxonomy was further amended in December 2024.

It is not a mandatory requirement, but financial institutions are encouraged to refer to said 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 and/or the TNFD)? If so, please give details.

In July 2023, the FSC announced that the government plans to adopt and fully incorporate the ISSB Standards in the annual reporting requirements applicable to listed companies on a phase-in basis.

Starting from 2026, listed companies that reach a certain threshold in paid-in capital will be required to prepare sustainability reports that



fully align with both IFRS S1 and IFRS S2. The FSC proposes to apply the requirements in three phases starting in 2026 (for listed companies with a paid-in capital of NT$10 billion or more), 2027 (for listed companies with a paid-in capital of at least NT$5 billion but no more than NT$10 billion), and 2028 (all listed companies). The specific dates for the requirement to take effect have not been confirmed by the FSC.

The transition mechanism under IFRS S1 will generally apply to listed companies that are required to submit their sustainability reports based on IFRS S1 and S2.

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.

The Ministry of Economic Affairs plans to update Taiwan's "National Action Plan on Business and Human Rights" and is developing voluntary "Guidelines on Business to Respect Human Rights" (**HR Guidelines**). The HR Guidelines is expected to cover human rights due diligence and remedy by businesses (within their operations and supply chains) and reporting the outcomes of these efforts. These are in early stages of development and no concrete timeline has been announced.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes, Taiwan's "2050 Net Zero Pathway" was announced in March 2022 in which the government vowed to reach net-zero emissions by 2050 by focusing on four main strategies in energy, industry, lifestyle, and social transition. Similarly, the CCRA codifies this commitment of decarbonisation and sets out the net-zero emissions as Taiwan's long-term goal to be attained by 2050.

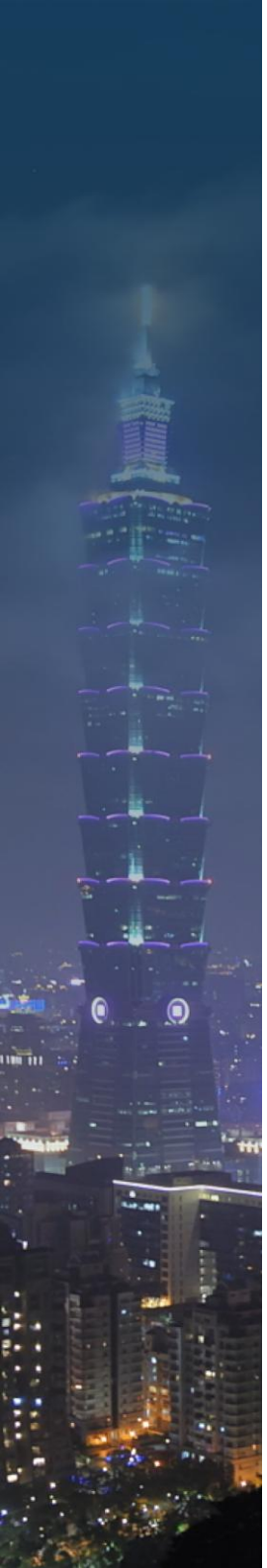
2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

There is currently no mandatory carbon trading market in Taiwan. To facilitate a voluntary carbon exchange scheme, the MOE announced on 1 July 2024, 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 MOE for approval to obtain emission credits (**GHG Credits**), which should be used in accordance with the requirements and time period set by the MOE. The MOE 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).

On 29 August 2024, (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 promulgated by the MOE took effect. A carbon fee scheme will apply to electricity businesses and manufacturing businesses that emit over 25k tonnes of Scope 1 and Scope 2 GHG emissions per year. Business which are subject to a carbon fee will need to pay the carbon fee from May 2025.

An extended producer responsibility scheme is in place for manufacturers and importers of certain



categories of products and packaging, which are required to pay a recycling and disposal fee primarily based on business / import volume.

3 **Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?**

There are no mandatory requirements for corporate transition plans and/or their disclosure.

The Designated Greenhouse Gas Reduction Goal for Entities Subject to Carbon Fees and Regulations for Administration of Self-Determined Reduction Plan do not require the regulated businesses to set climate targets or have a transition plan in place. However, these regulations encourage the regulated businesses to voluntarily develop GHG emission reduction plans and set GHG reduction targets for 2030 based on the Voluntary Reduction Plan Guidelines promulgated by the MOE so as to qualify for a reduced carbon fee rate for meeting GHG reduction targets.

As noted in section A.11 above, listed companies will be required to adopt the IFRS S2, which covers climate-related disclosures, including any transition plans.

4 **Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, are there plans for such requirements?**

Companies are not required to disclose, set or meet climate-related targets.

However, 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), and implementation of GHG reduction measures set forth under Article 29 of the CCRA. For the implementation of the GHG offset scheme, the MOE 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 **Other upcoming developments / direction of travel**

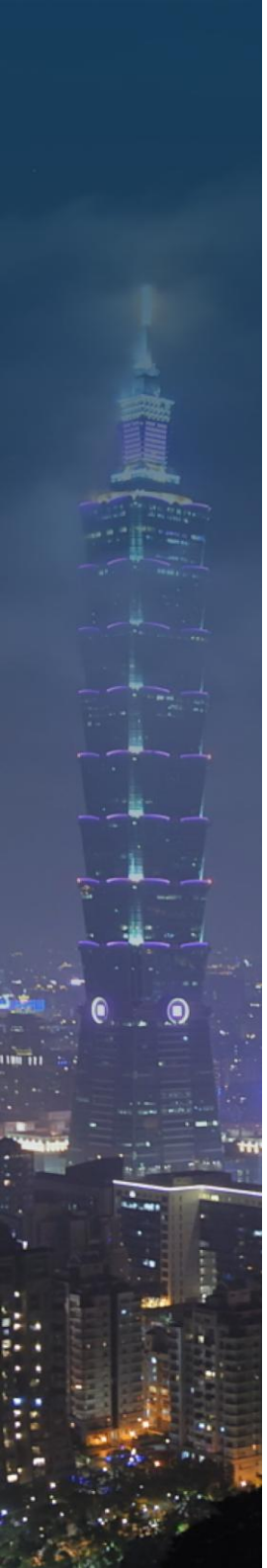
Based on the 2050 Net Zero Pathway and 12 Key Strategies, to achieve the 2050 net zero emission goal, it is expected that high emitting sectors (e.g., cement, steel and petrochemicals) would start to transition to low carbon production process and undergo facilities upgrades in order to be more sustainable.

A consultation was issued in May 2025 on proposed amendments to the Resource Recycling Act (to be renamed Resource Circulation Promotion Act) in order to promote resource circulation and to strengthen the relevant legal framework. The policy objective is to shift from the current focus on end-of-life recycling and treatment towards full life-cycle resource circulation. The proposed amendments include: (a) establishing a Resource Circulation Promotion Council; (b) green design guidelines for certain products and projects; (c) prioritising green procurement by public agencies; (d) mandatory services such as repair, rental and extended warranties for designated products; and (e) providing incentives and financial support to promote circular activities.

C. GREENWASHING RISKS

1 **Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?**

No.



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

No, but greenwashing conducts are 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**

Greenwashing is not fully regulated in Taiwan. It remains to be seen how the regulators as well as courts would define the meaning of greenwashing and deal with greenwashing claims. Given that a more comprehensive ESG disclosure regime has been established, it is generally expected that regulation of the accuracy of ESG disclosures will be introduced following the enhancement of the disclosure requirement.

THAILAND

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

ESG in APAC – Thailand
By Chandler MHM

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Significant developments in Thailand's ESG landscape which reflect a clear shift toward harmonisation with global standards and greater transparency in sustainability reporting.
- Issuance of a roapmap to integrate the ISSB Standards into existing ESG disclosure requirements. The goal is to phase-in mandatory reporting rules fully-aligned with the ISSB Standards, starting with climate disclosures of larger listed companies from 2026.
- Regulatory frameworks for a mandatory ETS and carbon tax system are in progress.
- A draft framework on a mandatory human rights and environmental due diligence law is under discussion.

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-related disclosures are mandatorily required for listed companies and sustainable and responsible investing funds (**SRI Funds**).

The Security 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;[1] and

[1] The SEC also advises that securities-issuing companies and financial advisors can use this guideline as a reference for preparing a Registration Statement for Securities Offering (Form 69-1) as well.

(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 United Nations Global Compact, the United Nations Sustainable Development Goals, 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 their GHG emissions, the company must clarify their 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.

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.

The disclosure guidelines for SRI Funds focus on the disclosures 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.

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) 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.

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 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 focuses on impact 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. 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.

8 Are there requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

There are currently no mandatory assurance requirements.

However, the SEC is moving toward introducing such requirements, particularly for GHG emissions data. As part of the SEC's proposed ISSB Roadmap (see section A.11 below), companies will be required to obtain 'limited assurance' for their GHG emissions disclosures. The assurance must be provided either by verifiers registered with the Thailand Greenhouse Gas Management Organisation or by entities that adhere to internationally recognised verification standards.

This planned 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?

In recent years, there has been an increasing trend in ESG disclosures, where many private companies acknowledge the significance of being transparent and accountable with respect to their ESG impacts and standards.

Listed companies are influenced to adopt ESG policies by the Stock Exchange of Thailand's mandatory reporting requirements. As there are no penalties for not having such policies, each company's progress depends on institutional and stakeholder pressure.

The SEC is preparing to introduce mandatory ESG reporting requirements under its proposed ISSB Roadmap. These new rules will apply to listed companies and certain specified entities (see section A.11 below for further detail).

10 Has your jurisdiction issued or adopted 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.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

The SEC has proposed the adoption of the IFRS S1 and IFRS S2 as part of its ESG disclosure reform initiative, known as the '**ISSB Roadmap'**.

The objective is to fully align Thailand's ESG disclosure requirements with the ISSB Standards, transitioning from the current 'comply or explain' model to a mandatory disclosure regime. The proposed requirements will apply to the following entities:

(a) listed companies in Thailand, whether they are Thai or foreign companies and/or companies offering securities to the public (IPOs);

(b) Real Estate Investment Trusts (REITs);

(c) Infrastructure Trusts;

(d) Property Funds; and

(e) Infrastructure Funds.

The SEC has proposed a phased-in approach for the adoption of the ISSB Standards (IFRS S1 and IFRS S2). The proposed implementation timeline is as follows:

(a) 2026 (reporting in 2027): SET50 companies ;

(b) 2027 (reporting in 2028): SET100 companies ;

(c) 2028 (reporting in 2029): All SET-listed companies and new IPOs on SET; and

(d) 2029 (reporting in 2030): All mai-listed companies , new IPOs on mai, REITs, Infrastructure Trusts, Property Funds, and Infrastructure Funds.

The SEC's proposal underwent public consultation, which concluded on 19 December 2024. The SEC is expected to conduct a further public hearing on the draft implementing regulations by the third quarter of 2025, with formal adoption to follow.[2]

To facilitate a smooth transition, the SEC has proposed a number of transitional relief measures, including:

(a) exemption from comparative reporting in the first year of disclosure;

(b) allowing companies to report only climate-related information (IFRS S2 and relevant parts of IFRS S1) for the first five years, before expanding to full sustainability disclosures;

(c) flexibility in the timing of sustainability reporting, allowing a different timeline from financial reporting for the first five years;

(d) permitting the use of various GHG accounting standards (such as GHG Protocol 2004 or equivalent) for the first five years, after which only GHG Protocol 2004 will be accepted; and

(e) allowing companies to report only Scope 1 and Scope 2 GHG emissions for the first five years, with Scope 3 reporting required thereafter.

12 Other upcoming developments / direction of travel

The BOT Policy seeks 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's Principles for Responsible Banking, Principles for Responsible Investment and the Equator Principles. 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.

The initial phase of the policy rollout, which began in early 2024, required financial institutions to conduct a self-assessment in accordance with the BOT Policy and the guidance set out in the industry handbook.

At present, the BOT has indicated that ESG-related disclosures 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.

There is growing momentum towards the development of mandatory human rights and environmental due diligence (**mHREDD**) legislation in Thailand. On 13 February 2025, the Ministry of Justice convened a multi-stakeholder consultation to initiate discussions on the potential drafting of an mHREDD law. This initiative is aligned with Thailand's international commitments under the UN Guiding Principles on Business and Human Rights and the Universal Periodic Review. An initial draft law, prepared with technical support from the European Union and Thammasat University, seeks to align Thailand's domestic legal framework with international standards on responsible business conduct. As of now, an official draft has not been released for public consultation.

[2] According to our discussion with the SEC officer, on a no-name basis.

B. TRANSITION PLANNING

1 Has your jurisdiction set decarbonisation targets and strategies?

Yes – Thailand has taken many steps towards becoming a carbon-neutral country by 2050 and achieving net-zero 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 latest draft of the PDP, covering the period 2024 to 2037, proposes an increase in the share of renewable energy in Thailand's power generation mix to 51% by 2037, reflecting a more ambitious decarbonisation trajectory.

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

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 (ii) below).

(b) Draft climate change bill - the second draft of this bill has completed its public consultation phase. It aims to provide legal certainty for stakeholders regarding GHG mitigation and adaptation through:

(i) the establishment of a national GHG inventory;

(ii) mandatory reporting obligations for designated state agencies and private entities on the amount of greenhouse gas emissions generated from their business operations, facilities, or related activities; and

(iii) a framework for the trading and verification of carbon credits.

(iv) The bill also proposes two principal carbon pricing mechanisms:

(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); and

(vi) Carbon Tax System - this would impose a tax on industrial manufacturers, producers and importers based on the lifecycle GHG emissions of their goods.

(b) The Department of Climate Change and Environment is expected to submit the bill to the Cabinet within 2025. Upon Cabinet

approval, the draft will enter the formal legislative process.

(c) Draft legislation to introduce mandatory EPR schemes – draft laws applying mandatory EPR in respect of packaging, industrial waste and e-waste are under development. The goal is to enact the EPR law on packaging (the Sustainable Packaging Management Act) by 2027.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, 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.

Looking ahead, if Thailand adopts the ISSB Standards under the proposed ISSB Roadmap, the reporting framework will shift significantly. Companies subject to the new disclosure obligations will be required to provide detailed disclosures on their climate transition plans, 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 to set, meet and/or disclose climate-related targets? If so, please give details. If not, 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.

Thailand is in the process of adopting the ISSB Standards through the SEC's ISSB Roadmap. Once implemented, these will mandate disclosure of climate-related targets and associated transition plans for companies subject to the new regime. 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 Other upcoming developments / direction of travel

Thailand is actively preparing for its transition to a decarbonised economy, as reflected in ongoing efforts to modernise its regulatory framework in alignment with global climate goals. Notably, the BOT, in collaboration with the Thai Bankers' Association, is developing a comprehensive transition plan aimed at addressing GHG emissions linked to the business activities of financial institutions, with particular emphasis on Scope 3 (financed) emissions.

This initiative seeks to establish a standardised framework to guide financial institutions in formulating and implementing their own

transition strategies. The overarching objective is to support the broader business sector in adapting to climate-related risks and opportunities in a practical and effective manner, balancing international best practices with the unique characteristics and development pathway of Thailand's economy.

These efforts underscore Thailand's commitment to facilitating an orderly and inclusive transition toward a low-carbon economy, while ensuring that the financial sector plays a central role in mobilising sustainable finance and managing climate-related risks.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

We are not aware of any recent legal proceedings, regulatory actions or investigations against or into 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 upcoming 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. The use of a universal standard will require all reporting entities to disclose ESG data based on the same criteria and structure, thereby minimising the risk of arbitrary, selective, or misleading disclosures. 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. In essence, a single global standard will ensure that all companies are 'speaking the same language,' thereby strengthening market confidence and accountability in ESG reporting.

VIETNAM

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

ESG in APAC – Vietnam
By YKVN

YEAR IN REVIEW

(1 July 2024 to 30 June 2025)

- Vietnam has expanded the list of facilities which must conduct GHG inventory and develop a GHG reduction plan.
- Vietnam has issued further regulations to establish a mandatory ETS and voluntary carbon market. An ETS will be launched in the second half of 2025 for certain high-emitting sectors.
- There has been increasing 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 than social 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)?

The following international standards are common frameworks that have influenced Vietnam's sustainability reporting requirements as well as relevant guiding documents to varying degrees (though IFRS S1 and IFRS S2 are not featured):

(a) GRI Standards;

(b) International Finance Corporation;

(c) International Integrated Reporting Council;

(d) ISO 26000:2010; and

(e) SASB standards.

In October 2024, the State Security Commission of Vietnam, 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.[4] The ESG Handbook recommends international standards, including TCFD, UN Sustainable Development Goals and the EU's European Sustainability Reporting Standards.[5]

[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 (**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 and 2025 (**Decree 08**), Article 157.6(a).

[4] https://ssc.gov.vn/webcenter/portal/ubck/pages_r/l/chitit?dDocName=APPSSCGOVVN1620148612.

[5] A set of detailed sustainability reporting requirements adopted by the European Union to support the implementation of the Corporate Sustainability Reporting Directive.

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.[6] The list of establishments was initially issued in 2022 and most recently expanded in August 2024. These establishments are heavy emitters in sectors such as 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 2166 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,[7] though 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 requirements to obtain independent assurance of any ESG disclosures? If so, what is the scope of such requirements? If not, are there plans to introduce such requirements?

No, there are no such regulatory requirements. However, some companies obtain independent assurance (likely due to contractual undertakings).

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

No. However, there have been a few recent instances of issuers of sustainable bonds and borrowers of sustainable financing making 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.[8]

[6] 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**)

[7] 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 by Decree No. 119/2025/ND-CP (Government, 9 June 2025) (**Decree 119**) (**Decree 06**), Article 11.1(dd).

[8] https://vir.com.vn/vpbank-secures-record-1-billion-sustainable-syndicated-loan-127772.html

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.

YKVN was involved in both of these transactions and we expect an increasing role for independent assurance (second opinion) as ESG financing grows.

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

No. In broad terms, there is no taxonomy regime in respect of ESG. However, numerous actors such as the GIZ Macroeconomic Reforms/Green Growth Programme and the Institute of Strategy and Policy on Natural Resources and Environment have been calling for the development of a local taxonomy. The ASEAN Taxonomy for Sustainable Finance may be used by enterprises for their voluntary disclosures or be used for sustainable finance products.

11 Are there plans to adopt or incorporate any (other) international ESG reporting framework (e.g. the ISSB Standards and/or the TNFD)? If so, please give details.

There is no indication that the ISSB Standards or other international ESG reporting frameworks will be adopted. There has been no formal indication by regulators that reports prepared in compliance with IFRS S1 and IFRS S2 will result in compliance with local disclosure requirements.

12 Other upcoming developments / direction of travel

It is expected that reporting will be impacted by the general trajectory of the State and market participants towards achieving ESG goals and encouraging broader ESG participation and disclosure.

External influences include Vietnam's foreign trade and investment partners. An example of this, from a trade perspective, is the fairly recent EU-Vietnam Free Trade Agreement, which encourages trade between the EU and Vietnam. As a result, disclosure requirements imposed on EU entities would be expected to have an impact on disclosures by their Vietnamese trading partners / 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 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.

Vietnam published a National Action Plan for Law and Policy Improvement to Promote Responsible Business Practices in Vietnam in July 2023.[9] The plan outlines actions to improve policies and laws on labour, the protection of the rights of vulnerable groups, environmental protection and consumer protection. There is no proposal to introduce an environmental due diligence law.

B. TRANSITION PLANNING

1 Has your jurisdiction set 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.

[9] Decision No. 843/QĐ-TTg (Prime Minister, July 14, 2023) on issuance of the national action plan on improving policies and laws to promote responsible business practices in Vietnam for the period 2023–2027.

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:

(a) by 2030, total national GHG emissions are reduced by 43.5%;

(b) by 2035, emissions peak will be reached; and

(c) by 2050, total national GHG emissions reach a net zero emissions increase.

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 programs and action plans for specific sectors were issued to concretise the national strategy, including Decision No. 876/QD-TTg for the transportation sector[10] and Decision No. 266/QD-TTg for the energy sector.[11]

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 prioritise the construction of projects contributing to reducing GHGs (e.g., biomass, electricity produced from trash, solid waste and cogeneration).[12]

In respect of GHG emissions, 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.[13]

2 Are businesses subject to any mandatory carbon pricing or other "polluter pays" instruments (such as ETS, carbon taxes or EPR schemes)? If so, please give details. If not, are there plans to do so?

Carbon pricing

Vietnam is in the process of implementing a mandatory ETS and voluntary domestic carbon market. It is applying the following roadmap and timeline (initially issued in 2022 and amended and supplemented in 2025):[14]

(a) *Current until the end of 2027*: finalise the regulatory framework regarding the Carbon Trading Exchange (**CTX**); pilot carbon credit exchange and offsetting mechanisms in potential sectors; establish and pilot the operation of the CTX for certain high-emitting sectors from June 2025;

(b) *Current until the end of 2028*: establish a national registry system; deploy the domestic carbon credit exchanging and offsetting mechanism; conduct awareness-raising activities on carbon market development;

[10] Decision No. 876/QD-TTg (Prime Minister, 22 July, 2022) approving the action program for transition to green energy and mitigation of carbon dioxide and methane emissions from transportation.

[11] Decision No. 266/QĐ-TTg (Prime Minister, 12 February 2025) on promulgation of the action plan for implementing the global declaration on coal-to-clean energy transition.

[12] Amended PDP8, Sections II.2(b) and V.1.

[13] 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.

[14] Decree 06, Article 17.

(c) *From 2028 onwards*: officially operate the CTX in 2028; and

(d) *From 2029 onwards*: develop and implement an auction mechanism for GHG emissions quotas.

To implement the first phase of the roadmap, Vietnamese authorities issued, among others, two key legal documents on the carbon market in January and June 2025, respectively: (i) the "Scheme for Establishing and Developing a Carbon Market in Vietnam"[15] issued by the Prime Minister, and (ii) Decree No. 119/2025/ND-CP[16] issued by the government. Consequently, there will be two categories of tradable instruments: (i) GHG emissions quotas (through free allocation and auction methods)[17], and (ii) carbon credits.[18]

GHG emissions quotas will be determined based on statutory methods and allocated to each Specified Establishment (as defined in Section A.7) by the Prime Minister and the Ministry of Agriculture and Environment (**MOAE**). In the initial phase, quotas will be allocated to the thermal power, iron and steel sectors.[19] Specifically, one unit of emission quota represents the right to emit one ton of CO_2 or CO_2-equivalent.[20] Specified 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. Specified Establishments may use carbon credits from certain projects under the carbon credit exchange and offset mechanisms to offset GHG emissions. However, the use of carbon credits for offsetting must not exceed 30% of the allocated GHG emission quotas.[21]

In parallel, carbon credits may be traded by organisations implementing projects under recognised domestic or international carbon credit exchange or offsetting mechanisms.[22] Both GHG emissions quotas and carbon credits will be traded on the CTX established and operated by the Hanoi Stock Exchange (**HNX**).[23] In addition to the CTX operated by HNX, a separate carbon credit trading platform will also be developed and managed by the International Financial Centre of Vietnam. This initiative—Vietnam's latest effort to attract investment and enhance its global financial presence—aims to promote (among others) green financing amid rising economic uncertainties.[24]

In conclusion, Vietnam's ETS is still in its early stages of implementation. While the system is operational in law, actual trading has not commenced pending the publication of quota allocation lists and the establishment of the national registry system.

As of July 2025, Vietnam has not introduced nor proposed a carbon tax.

EPR schemes

Local environmental protection laws include EPR-related provisions. As a general principle, entities and individuals benefiting from the environment must contribute financially to environmental protection activities, while those causing pollution or degradation are liable for costs, compensation, remediation and other legal responsibilities.[25] This is detailed in the Law on Environmental Protection and related guiding documents, particularly through provisions on the responsibilities of producers and importers in

[15] Decision No. 232/QĐ-TTg dated 9 January 2025 of the Prime Minister approving the "Scheme for Establishing and Developing a Carbon Market in Vietnam". (**Decision 232**)
[16] Decree No. 119/2025/ND-CP (Government, 9 June 2025) on amendments to certain Articles of Decree No. 06/2022/ND-CP dated January 07, 2022 of the Government on GHG emission mitigation and ozone layer protection.
[17] Decision 232, Article 1, Section III.1(a).
[18] Decision 232, Article 1, Section III.1.
[19] Decree 06, Article 12.1.
[20] Decree 06, Article 19.1(a).
[21] Decree 06, Article 19.8(a).
[22] Decision 232, Article 1, Section III.1(b).
[23] Decision 232, Article 1, Section III.4(a).
[24] Resolution No. 222/2025/NQ-QH (National Assembly, 27 June 2025) on the International Financial Centre of Vietnam (which will become effective on 1 September 2025), Article 13.2.
[25] Law on Environmental Protection No. 72/2020/QH14 (National Assembly, 17 November 2020), as amended on 14 November 2022 (**Law on Environmental Protection**), Article 4.6.

respect of recycling, waste collection and treatment.

Producers and importers of recyclable products (batteries and accumulators; lubricating oils; inner tubes and tires; electrical and electronic equipment; and transportation vehicles)[26] and recyclable commercial packaging of food, cosmetics, medicine, fertilisers, cleaning agents and cement[27] are required to either: (a) recycle either their own or another party's equivalent product or packaging (at a volume based on the mandatory recycling rate, calculated from, among others, the total weight of all recyclable products/ commercial packaging that they place in the market[28]), or (b) make a contribution to the Vietnam Environment Protection Fund.[29] Those enterprises dealing with hazardous or hard-to-recycle items must make financial contributions to waste treatment activities.[30]

As EPR-related provisions are spread across various legal documents, this has made it difficult for businesses to access and comply with the regulations. To address this, in May 2025, the government initiated the development of a standalone decree to consolidate and harmonise all EPR regulations. One of the key highlights of the draft decree is the clear stipulation of two options for businesses to fulfil their recycling obligations: first, enterprises may organise recycling activities themselves; and second, if they do not recycle directly, they must make financial contributions to the Vietnam Environment Protection Fund. The scope of products and packaging remains the same as existing provisions under the draft decree.

3 Are there mandatory requirements for companies to have in place and/or disclose climate-related transition plans? If so, please give details. If not, are there plans for such requirements?

The Law on Environmental Protection[31] requires Specified Establishments (as mentioned in section A.7) to: (a) formulate and implement annual GHG emissions reduction plans at the facility-level (**GHG Reduction Plans**) by reference to GHG emissions quotas which will be set by MOAE); and (b) integrate GHG emissions reduction activities with quality management programs, cleaner production programs and environmental protection programs. There are applicable standards and guidance (not requiring social impact assessments).

A GHG Reduction Plan must be formulated according to a statutory form, including[32] (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. The first GHG Reduction Plan must cover the period from 2026 to 2030, be submitted by 31 December 2025, and be adjusted and updated annually (if applicable).[33]

There are currently no penalties promulgated for a Specified Establishment's failure to follow the measures or meet the targets set out in its GHG Reduction Plan, but it will be subject to the GHG emissions quotas in due course.

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.

[26] Decree 08, Article 77.1, Annex XXII.
[27] Decree 08, Article 77.2.
[28] Decree 08, Article 78.
[29] Law on Environmental Protection, Article 54.2.
[30] Law on Environmental Protection, Articles 54 and 55.
[31] Law on Environmental Protection, Article 91.7.
[32] Decree 06, Article 13.5
[33] Decree 06, Article 13.4

Furthermore, enterprises that manufacture products containing or using ozone-depleting substances and/or controlled greenhouse effect substances (as identified by the government) are obliged to develop an appropriate roadmap to replace and eliminate such substances (in accordance with treaties to which Vietnam is a party).[34]

4 Are there mandatory requirements to set, meet and/or disclose climate-related targets? If so, please give details. If not, 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. Specific quotas will be set from 2026 onwards.

5 Other upcoming developments / direction of travel

Vietnam's approach is to encourage investment into greenfield and brownfield projects that are in transformative technologies resulting in low GHG emissions as well as encouraging participation in mechanisms and modes of cooperation on lowering GHG emissions.

For private enterprises specialising in sustainable development (i.e., the circular economy model and inclusive business model), Vietnam has developed a program of mechanisms and support in terms of technology, intellectual property, digital transformation solutions and finance.[35] Specifically regarding financial support, competent Vietnamese authorities will research and develop financial and credit products and services for these enterprises as well as launch an information platform connecting sustainable enterprises with credit institutions and investors.[36] In February 2025, the Ministry of Finance issued Circular No. 09/2025/TT-BTC[37] to provide guidance on the mechanism for the management and use of state budget funds for, among others, programs supporting sustainable business enterprises as mentioned above. It is expected that sustainable enterprises will be entitled to certain incentives in raising capital for their sustainable projects and business activities, though financial support has only been planned for the initial period of 2022 – 2025 with further support subject to future policy. Although there is, admittedly, a lack of clarity in practice, this illustrates a positive intention and we expect refinement of this.

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.

External influence by way of Vietnam's trading and investment partners will increasingly affect the local market, driven by requirements of their home jurisdiction as well as voluntary positions adopted. Foreign investors are placing greater emphasis on investee companies transitioning.

C. GREENWASHING RISKS

1 Are there any recent examples of legal proceedings, regulatory actions or investigations against or into greenwashing in your jurisdiction?

No. There have, in the past, been incidents of greenwashing which had sparked public anger. However, there have not been any recent direct proceedings or regulatory enforcement actions.

[34] Law on Environmental Protection, Articles 92.3(b) and 92.5.

[35] Circular No. 13/2023/TT-BKHDT (Ministry of Planning and Investment, 12 December 2023) guiding the Program to support private enterprise for sustainable business in the period 2022 – 2025 (**Circular 13**), Articles 12, 13 and 14.

[36] Circular 13, Article 11.

[37] Circular No. 09/2025/TT-BTC (Ministry of Finance, 28 February 2025) on guidance on the mechanism for management and use of state budget funds for the implementation of the "Support Program for Private Sector Enterprises in Sustainable Business for the 2022–2025 Period" issued together with Decision No. 167/QD-TTg dated 08 February 2022 of the Prime Minister.

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

Vietnam has not adopted laws or regulations specifically dealing with greenwashing, though the Law on Competition,[38] Law on Advertising,[39] Law on Protection of Consumer's Benefits,[40] Law on Securities[41] and the Penal Code[42] regulate false information about products or the enterprise itself. The Civil Code[43] allows for claims by those suffering harm.

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

The above-mentioned principal laws would allow for proceedings, actions or investigations to be instituted based on false claims.

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.

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.

[38] Law on Competition No. 23/2018/QH14 (National Assembly, 12 June 2018).
[39] Law on Advertising No. 16/2012/QH13 (National Assembly, 21 June 2012), as amended and supplemented on 20 November 2018 and 29 June 2024.
[40] Law on Protection of Consumer's Benefits No. 19/2023/QH15 (National Assembly, 20 June 2023), as amended on 1 July 2025.
[41] Law on Securities No. 54/2019/QH14 (National Assembly, 26 November 2019).
[42] Penal Code No. 100/2015/QH13 (National Assembly, 10 July 2017), as amended on 20 June 2017.
[43] Civil Code No. 91/2015/QH13 (National Assembly, 24 November 2015).

GLOSSARY

Term	Description
Carbon credits	Tradable credits (representing 1 ton 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	Carbon border adjustment mechanism - a policy tool, first implemented by the EU, to impose a fair price on carbon emitted during the production of carbon-intensive goods entering the EU and to encourage cleaner industrial production in non-EU countries.
Circular economy	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.
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.
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.
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.

Term	Description
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.
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 1.5°C and adapt to the impacts of climate change. The Paris Agreement requires that NDCs are updated every five years, with the third round due in 2025.
SASB	Sustainability Accounting Standards Board, a non-profit organisation, founded in 2011 to develop sustainability accounting standards. In August 2022, the ISSB assumed responsibility for the SASB standards.
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.

Term	Description
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.
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.

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