Embracing the New Opportunities in Sustainability Disclosure

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The views expressed in this presentation are those of the presenter, not necessarily those of the IFRS Foundation, International Accounting Standards Board or the International Sustainability Standards Board.

On Behalf of ISSB Beijing Office Congratulations on the Workshop of Issuance of Sovereign and Private Sector Green and Sustainability Bonds: Lessons from ASEAN

Why,When and Who Issued the First Green Bonds?

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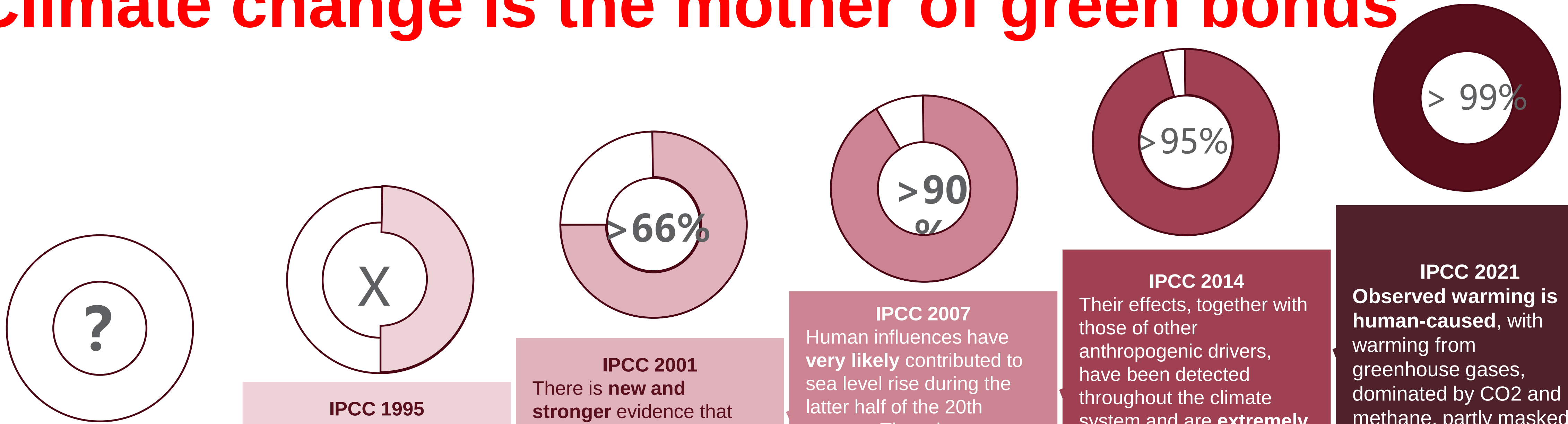
Climate change is the mother of green bonds



IPCC 1990
The observed increase could be **largely due to this natural variability**; alternatively this variability and other human factors could have offset a still larger human-induced greenhouse warming

IPCC 1995
More convincing recent evidence for the attribution of a human effect on climate is emerging from pattern-based studies.

IPCC 2001
There is **new and stronger** evidence that **most** of the warming observed over the last 50 years is attributable to human activities.

IPCC 2007
Human influences have **very likely** contributed to sea level rise during the latter half of the 20th century. There is **very high confidence** that the net effect of human activities since 1750 has been one of warming

IPCC 2014
Their effects, together with those of other anthropogenic drivers, have been detected throughout the climate system and are **extremely likely** to have been the dominant cause of the observed warming since the mid-20th century.

IPCC 2021
Observed warming is human-caused, with warming from greenhouse gases, dominated by CO2 and methane, partly masked by aerosol cooling

IPCC Report: The Impact of Human Activities on the Climate System

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WORLD BANK GROUP

AP2 Andra AP-fonden

A Group of Swedish pension funds, particularly AP2

$440 million green bond was issued in November 2008

Project Earmarking

Impact reporting

Third-party Verification

IFRS Sustainability

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IFRS Sustainability

Part 1
Information Matters

IFRS Sustainability

Menu

Taxonomies

Information

Disclosure

Discount

Policy incentives

Food

Products

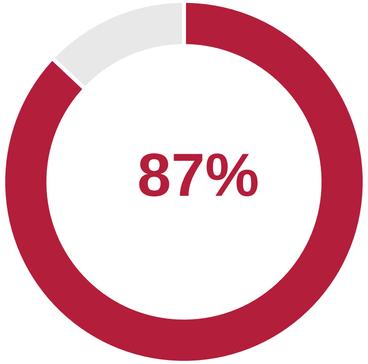
Four Pillars of Green Finance

Four Pillars	Function
Taxonomies	Anti-Greenwashing
Disclosure	Information
Policy incentives	Leverage private capital
Products	Risk management and financing requirement

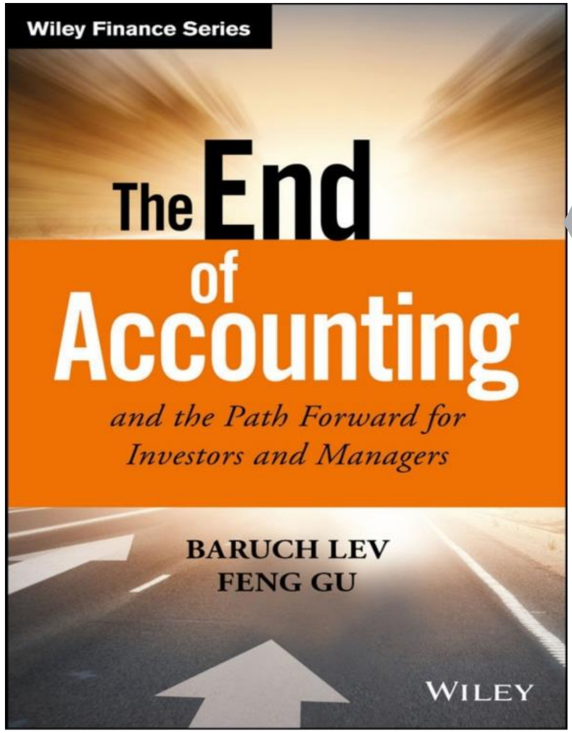

IFRS
Foundation
Better information for better decisions
Annual Report 2024

What happened to the accounting world?

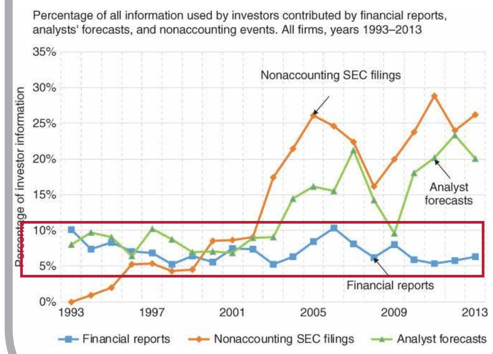
Over 140 of 167
jurisdictions require IFRS Accounting Standards for all or most publicly accountable companies



Investors need more information to make decision

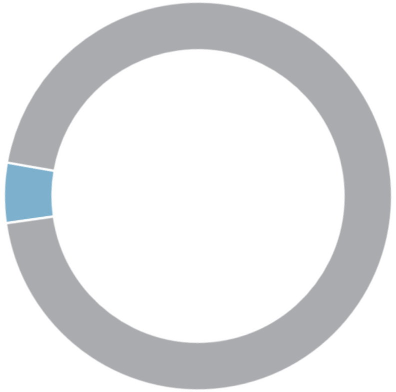


In fact, our analysis indicates that today's financial reports provide a **trifling 5 percent** of the information relevant to investors.

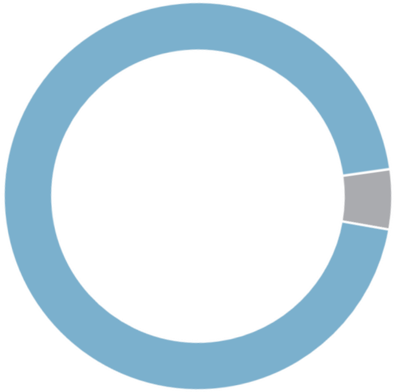


对投资者信息的贡献程度

Traditional Financial Reports **5%**



Other Information **95%**



Source: The End of Accounting, 2016

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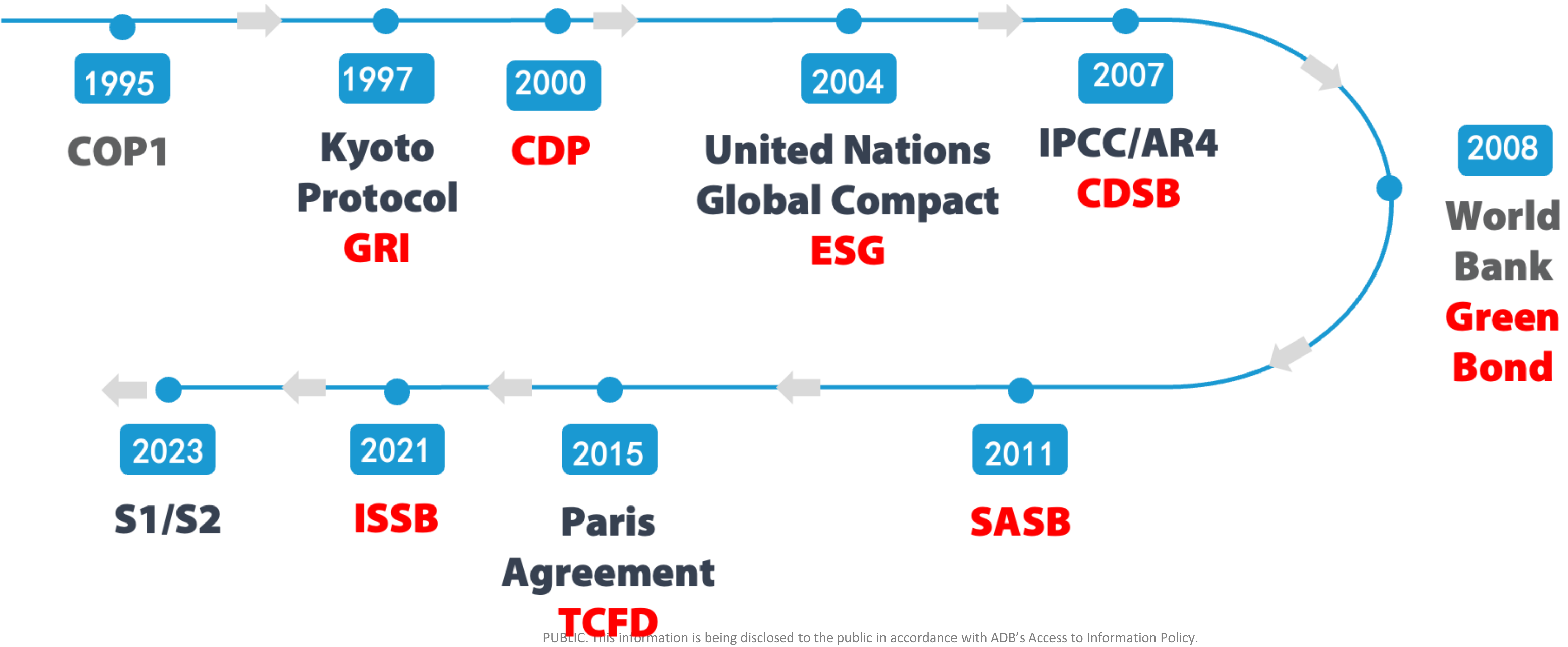
Sustainability standards have developed alongside climate negotiations



Sustainability disclosure standards

High Cost

Low Comparability

Less Quality

ISSB established at COP26 in November 2021

第26届联合国气候变化大会宣布成立ISSB

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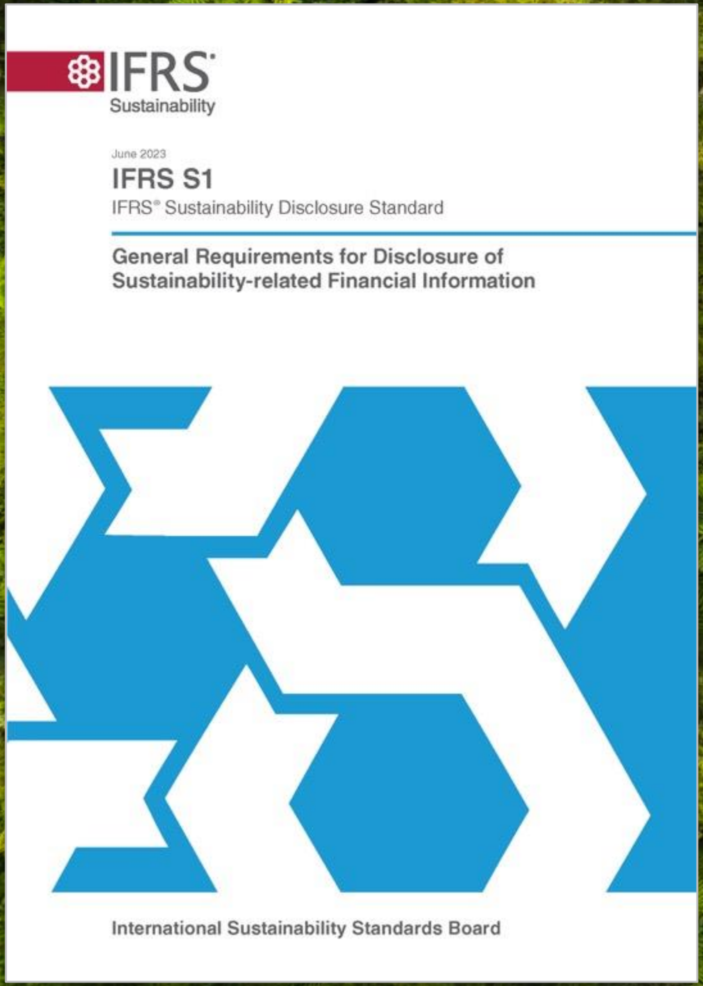
The ISSB is developing—in the public interest—standards that will result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Climate First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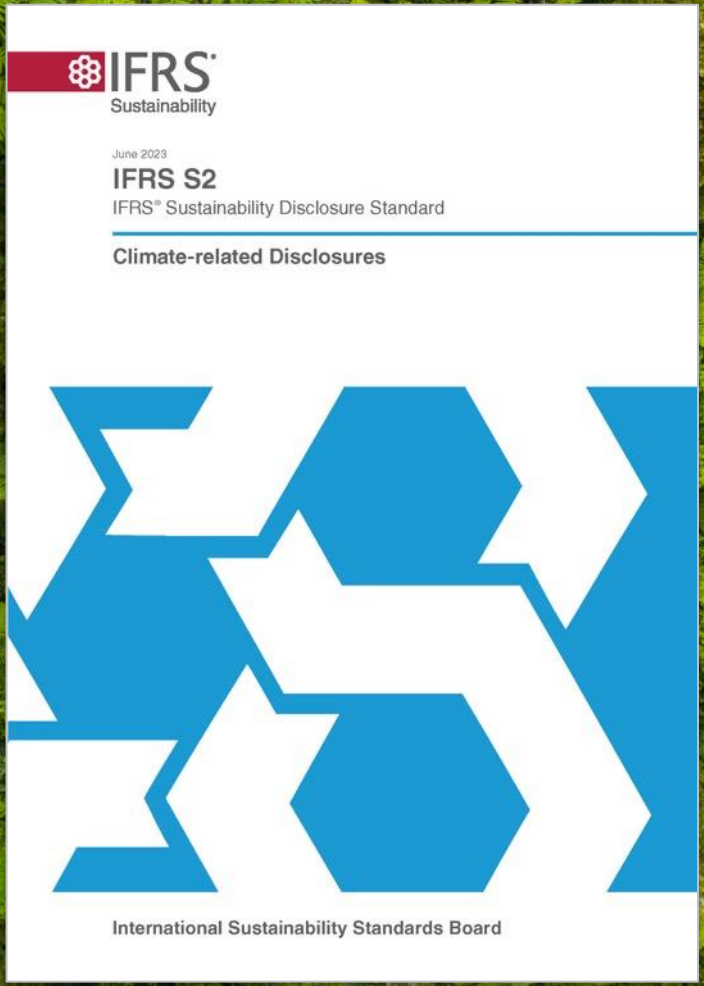
June 2023

IFRS S1

IFRS® Sustainability Disclosure Standard

General Requirements for Disclosure of Sustainability-related Financial Information

International Sustainability Standards Board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IFRS S2

IFRS® Sustainability Disclosure Standard

Climate-related Disclosures

International Sustainability Standards Board

Jurisdictions taking steps towards ISSB Standards

36 jurisdictions have already decided to use or are taking steps to introduce ISSB Standards in their legal or regulatory frameworks.

Together, these jurisdictions account for:

~60% of global **gross domestic product** (GDP)

40%+ of **global market capitalisation***

~80% excluding US market

50%+ of **global greenhouse gas emissions**

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Jurisdictional progress

Americas	Bolivia, Brazil, Canada, Chile, Costa Rica, El Salvador, Mexico
Asia-Oceania	Australia, Bangladesh, China, Hong Kong SAR, Japan, South Korea, Indonesia, Malaysia, Pakistan, Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand
EMEA	EU, Ghana, Jordan, Kenya, Nigeria, Qatar, Rwanda, Switzerland, Tanzania, Türkiye, Uganda, UK, Zambia, Zimbabwe

This list is based on information available to the IFRS Foundation as of 31 December 2024. The jurisdictions listed on this slide are those that have noted publicly that they have adopted or otherwise used ISSB Standards or have announced they will do so. The IFRS Foundation is developing and will be publishing a first set of jurisdictional profiles in the coming months which will contain further information on the jurisdictions' positions.

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Part 2
China's Experience

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Taxonomies

2013	Green Credit Definition	CSBC
2015	Green Bond Taxonomy	CGFC
2019	Green Industry Taxonomy	NDRC
2021	Updated Green Bond Taxonomy	PBOC
2022	Sustainability Finance Common Ground Taxonomy	CN/EU

China Roadmap and Timeline

中华人民共和国财政部
Ministry of Finance of the People's Republic of China

Timeline

By 2027, China's Sustainable Disclosure Basic Standard and Climate-related Disclosure will be **successively issued**

By 2030, **a unified Chinese system of sustainable disclosure standards will be basically established**.Given the long development cycle for the standards system, relevant departments may first formulate disclosure guidelines and regulatory systems for specific industries or sectors based on actual needs, with gradual adjustments and improvements in the future.

Roadmap

There will be **no "one-size-fits-all"** mandatory implementation requirements.

A strategy of **focusing on key areas**, **piloting first**, **proceeding gradually**, and **advancing step by step** will be adopted:

- from listed companies to non-listed companies
- from large enterprises to small and medium-sized enterprises
- from qualitative requirements to quantitative requirements
- from voluntary disclosure to mandatory disclosure

Hong Kong SAR

2024.3

The FSTB has released the "Vision Statement on Transforming Obligations into Opportunities to Develop a Sustainable Disclosure Ecosystem in Hong Kong" (the "Vision Statement"). The Vision Statement outlines Hong Kong's goal of becoming one of the first jurisdictions to align its local sustainable disclosure requirements with ISSB standards.

2024.4

The HKEX has published a consultation summary, indicating that the new climate-related requirements are more closely aligned with IFRS S2 and will be implemented in phases starting from the 2025 reporting year. The final rules state that the HKEX rules serve as a transitional step for listed companies to ultimately adopt Hong Kong standards, and HKEX will consider how and when to transition to sustainable reporting under Hong Kong standards.

2024.9

The Hong Kong Institute of Certified Public Accountants (HKICPA) has issued an exposure draft of "HKFRS 1: General Requirements for Sustainable-related Financial Information Disclosure" and "HKFRS 2: Climate-related Disclosures." It is proposed that both HKFRS 1 and HKFRS 2 be fully aligned with IFRS S1 and IFRS S2, with an effective date of August 1, 2025.

2024.12

The Hong Kong SAR Government has published a Sustainable Disclosure Roadmap, outlining Hong Kong's policy for public interest entities to adopt ISSB standards and providing a clear path for large public interest entities to fully adopt ISSB standards by no later than 2028.

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Policy incentives

Incentive Policies	Impact	Issuing Authority
Green Macro-Prudential Assessment (MPA) → Green Bank Evaluation	Incentivizes banks to increase green lending and hold green bonds	PBOC, 2017, 2021
Green Re-lending → Carbon Emission Reduction Facility	Provides low-cost funding for green loans	PBOC, 2017, 2021
Interest Subsidies	Encourages banks and issuers to provide green loans and issue green bonds	Local governments, since 2017
Green Project Guarantees	Reduces the cost of green credit	Local governments, since 2018

Product - China has the world largest green market size

CNY 40 Trillian
(Balance as at 2025 May)

Green Loan

CNY 2.2 Trillian
(Balance as at 2024 June)

Green Bond

More than 1000 funds

Green Fund

ABS

ETF

Green Insurance

Carbon Finance

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Part 3
Our Choices

To do, or not to do, that is the question.

Image Credit: iStock

Breaking the tragedy of the horizon - climate change and financial stability

The challenges currently posed by climate change pale in significance compared with what might come. The far-sighted amongst you are anticipating broader global impacts on property, migration and political stability, as well as food and water security

Good for business and global markets

The ISSB Standards:

- **give companies efficient tools** to disclose transparently on sustainability-related risks and opportunities
- **build investor confidence** in reported sustainability-related financial information
- **strengthen foundations** for a stable global economy

Key Takeaways

1. Clear Taxonomy

2. Adopt ISSB standards

3. **Reinvent financial products**

4. **Effective incentives**

5. **Capacity building**

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Go fast, go alone;

Go far, go together

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Visiting ifrs.org for more information

- Access standards and supporting materials
- Listen to monthly podcasts
- Respond to real-time consultations
- Sign up for news alerts
- Discover services that can support you
- Observe ISSB meetings
- Join the team