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This chapter provides an overview of the most important regulatory developments related to sustainable finance in Switzerland and the EU in 2021. Several international developments are also addressed.

## Developments in Switzerland

In practice, the Swiss financial market took further steps to advance the adaptation of the financial system to sustainability goals in 2021. While many Swiss financial market players continue progressing, by taking bottom-up, market-driven solutions, there is still no overarching Swiss legislative framework on sustainable finance. However, the counter-proposal to the “Responsible Business Initiative” and the respective executive ordinances of the Federal Council will introduce new duties for companies. Furthermore, by adopting several measures in 2021, the Federal Council made new significant announcements for financial market players, thereby accelerating change. FINMA focused on consumer protection and specified transparency obligations for climate risks.

### Parliament and government action

On 29 November 2020, the Popular Initiative “For responsible business – protecting human rights and the environment” was rejected by a majority of the Swiss cantons. This means that the indirect Counter-proposal to the Responsible Business Initiative of the parliament, adopted on 19 June 2020 in the context of the “major revision of the company law”, will come into effect. The indirect counter-proposal is primarily oriented towards the regulation currently in force in the EU. The new provisions are incorporated in the Swiss Code of Obligations (CO) and will come into force on 1 January 2022. They provide for two important obligations: on the one hand, large Swiss companies will be legally obliged to report on the risks of their business activities in the areas of the environment, social concerns, employee concerns, human rights and the fight against corruption, as well as on the measures taken against these risks (non-financial matters). On the other hand, companies with risks in the sensitive areas of child labour and so-called “conflict minerals” must comply with special and far-reaching due diligence and reporting obligations.<sup>16</sup>

To specify the details of these new obligations, the Federal Council opened a consultation on its preliminary draft of the “Ordinance on Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour (DDTrO)”, from 14 April to 14 July 2021. On 3 December 2021, the Federal Council decided to bring this ordinance into force on 1 January 2022, at the same time as the amendments to the CO. The law grants companies one year to adjust to the new obligations. These will therefore apply for the first time in the 2023 business year.<sup>17</sup>

In August 2021 the Federal Council decided on parameters for the future mandatory climate reporting by large Swiss companies. It mandated the Federal Department of Finance (FDF), together with other federal units, to develop a binding implementation of the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) for Swiss companies. The FDF is to prepare a consultation draft on ordinance level during 2022.<sup>18</sup> On 30 March 2022, the Federal Council initiated the consultation on the implementing ordinance on climate reporting for large Swiss companies that will run until 7 July 2022. The ordinance is expected to come into force at the beginning of the financial year 2023.<sup>19</sup>

In November 2021, the Federal Council adopted various other measures to promote sustainable finance. First, it strongly recommended to the industry to use comparable and meaningful climate compatibility indicators and join net zero initiatives. Second, it underlined the importance of promoting uniform definitions of sustainability impacts to address greenwashing. And third, the Federal Council informed that the government would assess, by the end of 2022, to what extent the financial sector has implemented these recommendations and – if needed – propose measures. The Federal Council also instructed the FDF, in cooperation with the

<sup>16</sup> For “Transparency on Non-Financial Matters”, see Article 964a-964c CO, for “Due Diligence and Transparency in relation to Minerals and Metals from Conflict-Affected Areas and Child Labour” see Article 964j-964l CO. These new provisions entered into force on 1 January 2022

<sup>17</sup> Federal Council (03.12.2021). *Press release: Bestimmungen für besseren Schutz von Mensch und Umwelt gelten ab 1. Januar 2022*. Available at: <https://www.admin.ch/gov/de/start/dokumentation/medienmitteilungen.msg-id-86226.html>

<sup>18</sup> Federal Council (18.08.2021). *Press release: Federal Council sets parameters for binding climate reporting for large Swiss companies*. Available at: <https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-84741.html>

<sup>19</sup> Federal Council (30.03.2022). *Press release: Federal Council initiates consultation on ordinance on climate reporting by large companies*. Available at: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-87790.html>

Federal Department of the Environment, Transport, Energy and Communications (DETEC), to inform it by the end of 2022 of the extent to which the financial sector has implemented the above-mentioned recommendations and to propose measures if need be. In order to implement these measures, at the end of 2021, the Federal Administration (SIF, FOEN) established two workgroups on net zero commitments and on Swiss climate scores with the involvement of the financial industry, as well as financial associations. The results of these workgroups are expected in the course of 2022.

Furthermore, the Federal Council has instructed the FDF, in cooperation with the DETEC and FINMA, to propose by the end of 2022 how financial market legislation could be amended – particularly with regard to transparency – in order to avoid greenwashing.<sup>20</sup>

To enhance the application of international standards in Switzerland, the Federal Council also decided to prepare a basis for the issuance of green Confederation bonds.<sup>21</sup> It instructed the Federal Finance Administration (FFA), in cooperation with the DETEC, to prepare a framework for the issuance of green Confederation bonds and submit it to the Federal Council by the end of 2022 for a decision. The issuance of such sovereign green bonds is expected to give a strong signal to the market and contribute to further market development.

### FINMA action

In summer 2020, FINMA conducted an intensive dialogue with industry representatives, academics, NGOs and the federal authorities on transparency rules in relation to climate risks. This dialogue led, amongst other things, to a revision of the FINMA circulars “Disclosure-banks” and “Disclosure-insurers”.<sup>22</sup> | <sup>23</sup> The new disclosure rules are based on the recommendations of the TCFD to introduce internationally compatible disclosure requirements in Switzerland. After a public consultation between November 2020 and January 2021, the revised circulars entered into force on 1 July 2021. Large banks and insurance companies (supervisory categories 1 and 2) have to provide qualitative and quantitative information about identifying, measuring and managing climate-related financial risks. The affected institutes should also describe the major climate-related financial risks and their impact on the business strategy, business model and financial planning (strategy). In addition, they must describe the central attributes of their governance structure in relation to climate-related financial risks.

Furthermore, in 2021 FINMA focused intensively on the topic of consumer protection by examining measures combating greenwashing. It is important to outline that the term

“greenwashing” is neither defined nor used by the Swiss financial market law. However, where investor protection provisions apply, greenwashing practices may be addressed by many Articles of the regulatory regime. For example, Article 12 of the Collective Investment Schemes Act (CISA) explicitly foresees that “*the designation of ‘collective investment schemes’ must not provide any ground for confusion or deception*”. As FINMA approves products offered by collective investment schemes and grants authorisation to any party who establishes or operates a collective scheme or is responsible for the safekeeping of the assets held, FINMA has required, since January 2021, more accurate and detailed information for so-called “green”, “ESG” or “sustainable” funds in the product approval process, as well as in the fund documents (e.g. prospectus, fund and investment contracts). In addition, FINMA published its Guidance 05/2021 on preventing and combating greenwashing in the fund segment on 3 November 2021.<sup>24</sup> In this guidance, it set out its expectations and current practice regarding the management of sustainability-related collective investment schemes at fund level (transparency and reporting) and institutional level (organisation requirements). The fund level requirements became applicable on 1 September 2021. FINMA also expects that until 30 June 2022, all fund documents of sustainability-related funds are updated according to its guidance.

### SNB action

In 2019 the Swiss National Bank (SNB) became a member of the Network for Greening the Financial System (NGFS), which brings together supervisory bodies and central banks across five continents to define best practice for financial market regulators and strengthen sustainable central-bank action. The SNB has already contributed a case study to an NGFS report, and continued engagement in the relevant NGFS

20 Federal Council (17.11.2021). *Press release: Federal Council strives to be international leader in sustainable finance with climate transparency*. Available at: <https://www.admin.ch/gov/en/start/documentation/media-releases/media-releases-federal-council.msg-id-85925.html>

21 Federal Council (17.11.2021). *Press release: Federal Council wishes to show its commitment to sustainability with green Confederation bonds*. Available at: <https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-85932.html>

22 FINMA Circular 2016/1, Disclosure-banks, Capital adequacy and liquidity disclosure requirements

23 FINMA Circular 2016/2, Disclosure-insurers, Principles for the financial condition report

24 FINMA Guidance 05/2021, Preventing and combating greenwashing of 3 November 2021

workgroups will help it to further develop its approaches, based on a peer-to-peer dialogue. In one respect, the SNB can be considered a leader amongst peers: it has taken up the integration of climate risks and sustainability factors into its actively managed corporate bond portfolios. This makes it the first central bank to apply such criteria to the management of foreign exchange reserves – notably being a central bank with one of the largest foreign exchange portfolios. With this, it is going a step further than those banks applying sustainability criteria to their own funds or pension funds. At the end of 2020, the SNB, in collaboration with Compenswiss, the institution managing Switzerland’s first-pillar social security funds, announced their decision to move out of coal. As regards being an active owner, the SNB has executed its voting rights on governance questions since 2015, with a focus on medium and large European companies, thereby aiming to use its power to improve the governance of its holdings. Along with the SNB, FINMA also became a member of NGFS in 2019.

### Industry initiatives

In December 2021, SSF and the Asset Management Association Switzerland (AMAS) published their joint “Recommendations on transparency on minimum requirement for sustainable investments approaches and products”.<sup>25</sup> They are based on the first joint recommendations “Sustainable Asset Management: key messages and recommendation of AMAS and SSF” of June 2020<sup>26</sup> and introduce a framework to foster transparency on the sustainability promises made by the asset manager. They aim to make it easier for investors to select sustainability products based on their preferences and therefore to prevent greenwashing. They are directed at the asset management industry with the intention of building a bridge between asset managers, other financial service providers and end investors. The recommendations focus on the products designed by the fund and asset management industry and sold by financial service providers to investors, and have three main goals: 1) define the various sustainable investment approaches and instruments in more detail and set minimum criteria for the implementation of each of them; 2) specify minimum requirements for investor information on the different investment approaches and instruments; 3) identify which of these sustainable investments satisfy the three main sustainable investor goals (financial performance, values alignment, positive change) most efficiently. They also aim at supporting the “point of sale” and distribution units by ensuring a financial advisor has access to all relevant information in order to recommend the most suitable sustainable product to a client.

At the end of 2021, AMAS also decided to integrate the topic of sustainability into their self-regulation. The result is expected to be published in September 2022. In December 2021, the association joined the UN-convened Net Zero Asset Management Initiative as supporter organisation.

The Swiss Bankers Association (SBA) published its “Guideline for the integration of ESG considerations into the advisory process for private clients” in June 2020.<sup>27</sup> At the end of 2021, it decided to revise this guideline in the form of the concept called “free self-regulation”. The result is expected to be published in June 2022. In April 2022, the SBA joined the UN-convened Net-Zero Banking Alliance (NZBA).

Since 2020 the Swiss Insurance Association (SIA) has published an annual report about current sustainability practice in the Swiss insurance industry as well as the development of sustainable assets managed by insurance companies.<sup>28</sup> In October 2021, the association became a supporting member of the UN-convened Net Zero Asset Owner Alliance.

### Conclusion

Going forward, it is key that Swiss frameworks for sustainable finance keep the right balance between bottom-up, market-driven solutions and a supporting regulatory framework, thereby guaranteeing a level playing-field for all. Improved transparency and comparable information that allows all clients to make choices based on their preferences are an important prerequisite for trust, and therewith for a further mainstreaming of sustainable financial services. A continued and intense dialogue between the private sector, the government and the regulator prepares the ground for such an environment and will leave us with effective frameworks

25 AMAS & SSF (2021). *How to Avoid the Greenwashing Trap: Recommendations on Transparency and Minimum Requirements for Sustainable Investment Approaches and Products*. Available at: [https://www.sustainablefinance.ch/upload/cms/user/RecommendationsforSustainableInvestmentProducts\\_AMAS\\_SSF.pdf](https://www.sustainablefinance.ch/upload/cms/user/RecommendationsforSustainableInvestmentProducts_AMAS_SSF.pdf)

26 AMAS/SSF (2020). *Sustainable Asset Management: Key Messages and Recommendations*. Available at: [https://www.sustainablefinance.ch/upload/cms/user/EN\\_2020\\_06\\_16\\_SFAMA\\_SSF\\_key\\_messages\\_and\\_recommendations\\_final.pdf](https://www.sustainablefinance.ch/upload/cms/user/EN_2020_06_16_SFAMA_SSF_key_messages_and_recommendations_final.pdf)

27 Swissbanking (2020). *Guideline for the integration of ESG considerations into the advisory process for private clients*. Available at: [https://www.swissbanking.ch/\\_Resources/Persistent/5/9/3/b/593b75d1d479ddc7off20a76991deffd9ca4bab/SBA\\_Guidelines\\_for\\_the\\_integration\\_of\\_ESG\\_considerations\\_into\\_the\\_advisory\\_process\\_for\\_private\\_clients\\_EN.pdf](https://www.swissbanking.ch/_Resources/Persistent/5/9/3/b/593b75d1d479ddc7off20a76991deffd9ca4bab/SBA_Guidelines_for_the_integration_of_ESG_considerations_into_the_advisory_process_for_private_clients_EN.pdf)

28 SVV (10.06.2021). *Annual Report 2020*. Available at: <https://www.svv.ch/en/annualreport2020/sustainability>

## Developments in the European Union

Over the past year, the EU has pursued its sustainable finance ambitions through a multitude of new regulations and standards whose effects stretch far beyond the EU's borders. This rapidly evolving landscape holds great significance for Swiss financial institutions that conduct activities in the EU or that have European clients. All the EU's sustainable finance-related actions and policies that exist today aim to contribute to the objectives of the European Green Deal, which was presented by the EU Commission in December 2019. With the European Green Deal, the EU expressed its commitment to become the first climate-neutral continent by 2050 and to strengthen its resilience to climate change and environmental degradation, while leaving no one behind in the process. In July 2021, the EU demonstrated its commitment to these goals when it published its long-awaited Strategy for Financing the Transition to a Sustainable Economy. The strategy aims to align the financial sector's activities with the targets outlined in the European Green Deal. The sections below provide an overview of the most important developments that took place in the EU in 2021.

### EU Taxonomy Regulation

The EU Taxonomy Regulation (TR) is one of the most important legal frameworks the Union is relying on to achieve the objectives of the European Green Deal. It sets out a system for classifying economic activities as "green" in relation to six environmental objectives:

1. climate change mitigation,
2. climate change adaptation,
3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control, and
6. protection and restoration of biodiversity and ecosystems.

The principal goal of the TR is to create a collective understanding of sustainability and thereby help prevent greenwashing (i.e. claiming a financial product is sustainable when it is not).

The year 2021 saw the first taxonomy-related delegated act published – the Climate Delegated Act (CDA); it addresses the first two objectives<sup>29</sup> of the TR and has been applicable since January 2022. The CDA defines a list of technical screening criteria that is used to determine whether an economic

activity substantially contributes to climate change mitigation or to climate change adaptation. The day after the CDA was published, the Article 8 Disclosures Delegated Act, which specifies how to comply with the disclosure requirements under Article 8 TR, was published in the Official Journal of the European Union (OJEU); it became applicable on 1 January 2022 (see figure 52).

### Sustainability-related disclosure requirements

Disclosure requirements are an indispensable part of the EU's overall sustainable finance regulations. The EU Commission identified the mandatory disclosure framework for financial as well as non-financial companies as one of the three "building blocks" for realising the goals of the Strategy for Financing the Transition to a Sustainable Economy. There are several regulations in the EU which introduce sustainability-related disclosure requirements, primarily the Sustainable Finance Disclosure Regulation (SFDR), the TR and the Non-Financial Reporting Directive (NFRD) (i.e. the future Corporate Sustainability Reporting Directive [CSRD]).

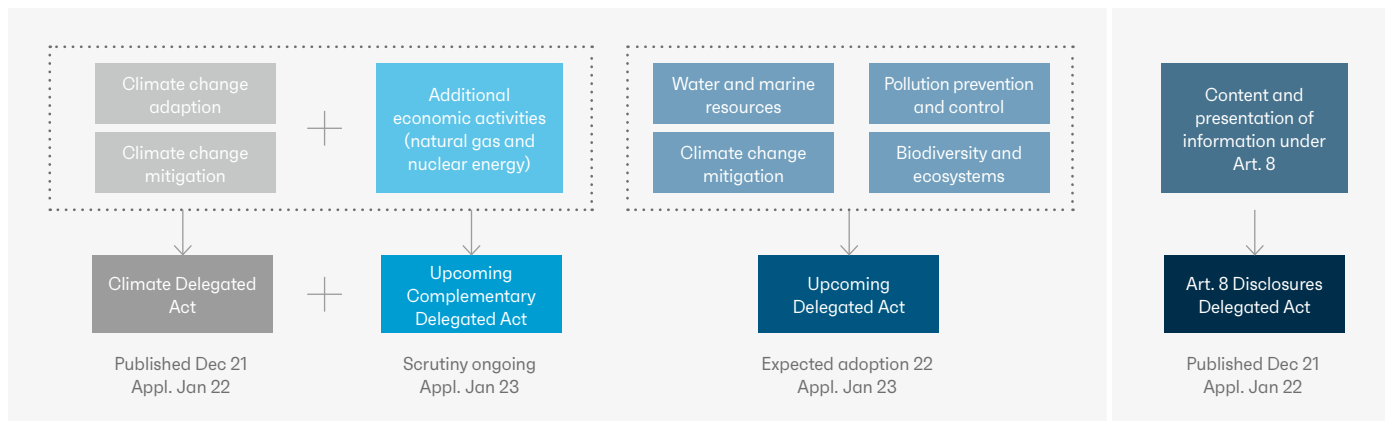
These legal acts complement each other: their personal scope of application overlaps and their material scope of application is partially interdependent. First, the overlapping personal scope means that the same entity might be subject to a reporting obligation under all three frameworks. For example, the CSRD proposes reporting obligations for all large companies and all companies with securities listed on EU-regulated markets, excluding micro-companies. This covers both financial and non-financial institutions. The entities that are subject to reporting obligations under the CSRD are also subject to reporting obligations under Article 8 TR. Furthermore, if an entity is a financial institution that also falls within the scope of the SFDR,<sup>30</sup> it would have to make disclosures under the SFDR too. Second, the interdependence of these frameworks means that an entity that reports under one framework needs the information that is disclosed under another framework to fulfil its reporting obligations. This is explained further below.

<sup>29</sup> These two objectives are: 1) climate change mitigation and 2) climate change adaptation

<sup>30</sup> SFDR applies to the financial market participants and financial advisers

Figure 52: EU Taxonomy Regulation

Source: ECOFACT AG/SSF 2022



At the entity level: When the EU Commission unveiled its revision to the NFRD in April 2021, it packaged the revision as a proposed directive (the CSRD) that aims to ensure there is adequate, publicly available information on the sustainability risks that companies are exposed to. The CSRD also aims to ensure adequate information is available on companies' impact on people and the environment (a concept called "double materiality"). By improving the quality, reliability, and comparability of the sustainability information disclosed by investee companies, the CSRD also supports the application of the TR and the SFDR. The idea is that a consistent and coherent flow of sustainability information provided by investee companies would also help financial market participants and financial advisers to meet their disclosure requirements under the SFDR. The SFDR introduces multiple disclosure obligations that require detailed information on investee companies' sustainability risks and impacts. For example, a financial market participant needs to know about the most significant adverse impacts of its underlying investments on sustainability factors to prepare a principal adverse impacts (PAI) statement.

Furthermore, the TR also interacts with the NFRD (i.e. the future CSRD) because it requires companies within the scope of the NFRD to disclose indicators that inform about the extent to which their activities are environmentally sustainable. The CSRD is currently a draft, and to be adopted it has to pass through the complete EU legislative process.<sup>31</sup>

At the financial-product level: The SFDR also introduced several rules at the financial-product level that mostly started applying on 10 March 2021<sup>32</sup> on a principle basis (Level 1). These rules are applicable for financial products' pre-contractual disclosures, websites, and periodic disclosures. The disclosures have to inform about a product's integration of sustainability risks (Article 6), its promotion of environmental and/or social characteristics (Article 8), or the sustainable investments it makes (Article 9) to clearly communicate the sustainability commitment of each financial product. Moreover, products *without* any sustainability feature have to update their pre-contractual disclosures to explain why sustainability risks are not relevant to them (Article 6). On 6 April 2022, the EU Commission also adopted Level 2 requirements for the implementation of the SFDR in the form of regulatory technical standards (RTS), which were developed by the three European supervisory authorities (ESAs [European Banking Authority, European Securities and Markets Authority, and European Insurance and Occupational Pensions Authority]). The RTS are based on the ESAs' reports from February 2021 and October 2021.

31 The EU Commission proposed 1 January 2023 as the application date of the CSRD, whereas the EU Parliament proposed to delay this to 1 January 2024

32 Article 11, which regulates products' periodic disclosures, has been applicable since 1 January 2022. Article 7, which regulates PAI disclosure at the product level, will start applying on 30 December 2022

It is worth emphasising that the SFDR's product-level disclosures must be supplemented with information that satisfies the requirements of Articles 5, 6, and 7 TR. The products which make sustainable investments contributing to environmental objectives must identify in their pre-contractual and periodic disclosures which environmental objective the product contributes to, as well as the extent to which the economic activities the product invests in are aligned with the taxonomy. The SFDR's Regulatory Technical Standards (RTS) contain detailed implementation rules for the pre-contractual and periodic disclosures of SFDR's Articles 8 and 9 products, including the additional specific disclosure requirements stemming from Articles 5 and 6 TR. The RTS are scheduled to apply from 1 January 2023.

#### **Integrating sustainability into AIFMD, UCITS, Solvency II, IDD, and MiFID II**

To harmonise the above-mentioned disclosure requirements, the EU amended the AIFMD, UCITS, Solvency II, IDD, and MiFID II frameworks via delegated acts that integrate the consideration of sustainability risks and sustainability factors. The final texts of the delegated acts were published in the Official Journal of the European Union (OJEU) in August 2021. Most of the sustainability-related amendments will start applying in August 2022.<sup>33</sup> Under the MiFID II framework, for example, firms providing investment advice and portfolio management will have to ask clients or potential clients about their sustainability preferences during suitability assessments from 2 August 2022 onwards. Furthermore, from 22 November 2022 onwards, investment firms manufacturing and distributing financial instruments will have to determine whether each financial instrument is consistent with the sustainability-related objectives of the target market.<sup>34</sup>

## **Developments around the globe**

### **Intergovernmental and industry-led initiatives**

Disclosure requirements also play a significant role internationally. In 2021, global efforts to advance sustainability reporting standards were on display. The Taskforce on Nature-related Financial Disclosures officially launched in June 2021, is working to advance reporting on nature-related risks. Much like the renowned TCFD, the TNFD focuses on financial risks, but instead of climate risks, it is looking to address risks posed by the degradation of nature, biodiversity, and habitat. The TNFD uses the term "nature-related risks" in referring to the risks posed by the linkages between an organisation's activities and nature. In addition to shorter-term

financial risks (deemed material today), this includes longer-term risks represented by its impact and dependencies on nature over time. As there is a gradual convergence in the perspective on materiality of nature-related risks emerging in the market, the consideration of both nature-related dependencies and impacts is required for a comprehensive assessment of risks and opportunities. It also acknowledges that an organisation's impacts on nature become relevant to enterprise value when assessed over a future time horizon.<sup>35</sup>

In 2021, the recommendations of the TCFD were subject to important developments too. A new Guidance on Metrics, Targets, and Transition Plans was published in October 2021 to further increase comparability of metrics and targets disclosures.<sup>36</sup> On the same day, the TCFD also published an updated version of its Annex "Implementing the Recommendations of the TCFD"<sup>37</sup>, which replaces the original issued in 2017.

Another relevant development was the IFRS Foundation's establishment of the International Sustainability Standards Board (ISSB) in November 2021. The ISSB's main task is to create a global baseline of high-quality sustainability disclosure standards that meet the information needs of investors. The ISSB will build on existing frameworks such as the TCFD recommendations and the standards set by the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).

Finally, there are a number of climate finance initiatives that were established to encourage private-sector actors to make net zero pledges, publicly communicate them, and quantitatively report on their progress toward meeting them on an annual basis. A detailed description of these initiatives and related developments can be found in Chapter 6.3.

<sup>33</sup> The only exception to the August 2022 applicability is Commission Delegated Directive 2021/1269, which was adopted under Mi-FID II. It requires EU member states to amend their national laws by 21 August 2022 to ensure that the amendments will apply from 22 November 2022

<sup>34</sup> The only exception to the August 2022 applicability is Commission Delegated Directive 2021/1269, which was adopted under Mi-FID II. It requires EU member states to amend their national laws by 21 August 2022 to ensure that the amendments will apply from 22 November 2022

<sup>35</sup> See the TNFD homepage: *The TNFD-Framework, FAQ*. Available at: <https://tnfd.global/the-tnfd-framework/faq/>

<sup>36</sup> TCFD (14.10.2021). *Task Force on Climate-related Financial Disclosures: Guidance on Metrics, Targets, and Transition Plans*. Available at: [https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics\\_Targets\\_Guidance-1.pdf](https://assets.bbhub.io/company/sites/60/2021/07/2021-Metrics_Targets_Guidance-1.pdf)

<sup>37</sup> TCFD (14.10.2021). *Task Force on Climate-related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*. Available at: [https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing\\_Guidance.pdf](https://assets.bbhub.io/company/sites/60/2021/07/2021-TCFD-Implementing_Guidance.pdf)

## Important national initiatives

Sustainability disclosure frameworks have gained importance in several jurisdictions. The UK government published its roadmap for the area of sustainable investments in October 2021.<sup>38</sup> The document explains how the government will implement the new Sustainability Disclosure Requirements (UK's SFDR) for businesses and asset managers. It also provides details on the UK's Green Taxonomy.

The year 2021 particularly saw significant momentum around the TCFD-aligned climate reporting requirements. In November 2021, the Hong Kong Stock Exchange published Guidance on Climate Disclosures to provide issuers with practical tips and advice for preparing climate change reports that are aligned with the TCFD recommendations.<sup>39</sup> The TCFD-aligned climate reports will be mandatory in Hong Kong by 2025. Similarly, the Singapore Stock Exchange announced in December 2021 that all issuers must provide climate reporting on a *comply or explain* basis in their sustainability reports, starting with the 2022 financial year.<sup>40</sup> Climate reporting will be *mandatory* for financial sector issuers, starting in 2023.

An important development regarding climate-related financial risks also took place in the United States (US). The US Office of the Comptroller of the Currency issued draft principles for climate-related financial risk management for large banks for consultation in December 2021.<sup>41</sup> The aim is to test large banks on their climate risk management capacities in the future.

Important developments took place in relation to national green taxonomies too. The South Korean Ministry of Environment published the Green Taxonomy (K-Taxonomy) in December 2021.<sup>42</sup> Furthermore, the member states of the Association of Southeast Asian Nations (ASEAN) issued a proposal for an ASEAN taxonomy for sustainable finance in November 2021.<sup>43</sup>

## Conclusion

The constantly evolving regulation of the EU is part of its package of measures to build the foundations for sustainable finance and to set international standards. Also, disclosure frameworks around the globe are constantly evolving and play a significant role in setting international standards. Other initiatives are increasing the awareness of the business community that the world's economic output is moderately or highly dependent on nature and that nature loss represents significant risk to corporate and financial stability.

- 38 HM Treasury (18.10.2021). *Greening Finance: A Roadmap to Sustainable Investing*. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1031805/CCSo821102722-006\\_Green\\_Finance\\_Paper\\_2021\\_v6\\_Web\\_Accessible.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1031805/CCSo821102722-006_Green_Finance_Paper_2021_v6_Web_Accessible.pdf)
- 39 Hong Kong Stock Exchange (05.11.2021). *Reporting on TCFD Recommendations: Guidance on Climate Disclosures*. Available at: [https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance\\_climate\\_disclosures.pdf](https://www.hkex.com.hk/-/media/HKEX-Market/Listing/Rules-and-Guidance/Environmental-Social-and-Governance/Exchanges-guidance-materials-on-ESG/guidance_climate_disclosures.pdf)
- 40 Singapore Exchange (15.12.2021). *Responses to Comments on Consultation Paper: Climate and Diversity: The Way Forward*. Available at: [https://api2.sgx.com/sites/default/files/2021-12/Response%20Paper%20on%20Climate%20and%20Diversity%20-%20The%20Way%20Forward\\_o.pdf](https://api2.sgx.com/sites/default/files/2021-12/Response%20Paper%20on%20Climate%20and%20Diversity%20-%20The%20Way%20Forward_o.pdf)
- 41 Office of the Comptroller of the Currency (16.12.2021). *Principles for Climate-Related Financial Risk Management for Large Banks*. Available at: <https://www OCC.gov/news-issuances/bulletins/2021/bulletin-2021-62a.pdf>
- 42 Ministry of Environment (30.12.2021). *K-Taxonomy*. Available at: <http://me.go.kr/home/web/board/read.do?jsessionid=IhdmJdt-8Ed+fSYut9gcnPta.mehome?pagerOffset=10&maxPageItems=10&maxIndexPag-es=10&searchKey=&searchValue=&menuId=10525&org-Cd=&boardId=1498700&boardMasterId=1&boardCategoryId=&decorator=>
- 43 Asean Taxonomy Board (10.11.2021). *Asean Taxonomy for Sustainable Finance: Version 1*. Available at: <https://asean.org/wp-content/uploads/2021/11/ASEAN-Taxonomy.pdf>