

Companies face the risk of non-compliance with upcoming governance and sustainability regulations

Companies in the US, UK and EU may be 'ill-prepared' for EU reporting requirements, specifically for the [Corporate Sustainability Reporting Directive \(CSRD\)](#) and [the proposed Guidelines on funds' names using ESG or sustainability-related terms](#) (Fund Name Rules). Nearly 60% of UK companies (cross-listed companies and companies with EU subsidiaries) are [expected](#) to miss the upcoming Scope 3 emissions reporting deadline under CSRD. Similarly, American companies (cross-listed companies and companies with EU subsidiaries) were [found](#) to be unprepared for the CSRD governance requirements. This may be largely due to an underestimation of the volume of work needed to meet the CSRD 2024 deadline, according to a [detailed report](#) analyzing 500 finance leaders across Europe.

Asset managers appear equally unprepared to meet the Fund Name Rules. [Clarity AI](#) analyzed a large number of 'sustainable' issuers of funds in the US, UK and EU. It [found](#) that only 4% of those funds comply with the proposed

Several publicly available tools and guidelines to aid BODs and private equity investors in managing climate-related risks and targets

In May 2023, IFC [published its Climate Governance Progression Matrix](#) to assist Boards of Directors (BODs) to identify and oversee climate-related risks and opportunities. The tool lays out climate-related practices at four levels (Basic Practices, Intermediate Practices, Good International Principles and Leadership) for each of the six Parameters of the IFC Corporate Governance Methodology:

1. Commitment to Environmental, Social, and Governance (Leadership and Culture);
2. Structure and Functioning of the Board of Directors;
3. Control Environment;
4. Disclosure and Transparency;
5. Treatment of Minority Shareholders; and
6. Governance of Stakeholders Engagement.

IFC also published a [tip sheet titled 'Climate Governance: Equipping Corporate Boards to Mitigate Climate Risks and Seize Climate Opportunities'](#) to provide extra guidance to BODs on climate governance and recommended practices for identification and oversight of climate-related risks and opportunities.

The [Institutional Investors Group on Climate Change \(IIGCC\)](#) published [a Guidance on Net Zero Investment Framework Component for the Private Equity Industry](#) on May 16, 2023. This tool is intended to provide an 'avenue' for advances in private markets similar to what the Taskforce on Climate-related Financial Disclosures (TCFD) did in public markets. The Framework seeks to standardize target-setting, engagement and reporting between limited partners (LPs), general partners (GPs), and portfolio companies (PCs) to support progress toward net zero.

Japan's corporate governance and investment prospects bloom alongside the cherry blossoms

Recent developments indicate some positive momentum around corporate governance in Japan. [Statistics](#) suggest improvement in gender equity in Japanese workplaces. The Financial Services Agency [introduced](#) requirements for companies to disclose more information about cross-shareholding schemes. Shareholder activism has [evolved](#) with the number of activist funds rising from less than 10 in 2014 to almost 70 this year. The [2023 Proxy Season](#) is [expected](#) to reinforce such developments, especially with the larger number of proposals on equity compensation plans and climate-related disclosure of information.