# Latest Developments in Governance, Stewardship and Sustainability

Valoris
Stewardship Catalysts

**November 2023**

## Key Takeaways from the PRI Sustainable Finance Policy Conference in Tokyo

This month, the Principles for Responsible Investment (PRI) released a summary of the discussions from its annual Sustainable Finance Policy Conference held in Tokyo in October. As usual, this conference explored the latest developments in sustainable finance policy reform and highlighted new areas of focus for responsible investors. Some pivotal points around which participants generally agreed included:

- DNSH: The principle of do no significant harm (DNSH) should be preserved as a clear standard. However, participants acknowledged the importance of understanding that companies not reporting DNSH-related data should not automatically be perceived as compliant.

- Stewardship Challenges: Investment managers often lack clarity on when and how to escalate issues with investee companies and what resources are needed for effective stewardship. Additional challenges include the limited voice institutional investors tend to have in state-owned enterprises, particularly in APAC regions, and the continued ambiguity surrounding issues related to "acting in concert rules"

- Emerging Markets: Data collection poses a significant challenge in emerging markets, hindering comprehensive investor disclosure. Conference participants advocated for increased regulatory pressure in these markets and emphasized the necessity for more mandatory requirements to disclose negative impacts, such as PAI (Principal Adverse Impacts).

## Banking Giants Opt for Less Stringent Climate Target Validation Requirements, Endangering the Transition to a Sustainable Economy

Four major banks, including Standard Chartered Plc and HSBC Plc, have opted to withdraw from the Science Based Targets initiative (SBTi) validation process for their climate targets. Simultaneously, concerns have been voiced by others, such as Societe Generale SA and ABN Amro Bank NV, asserting that SBTi's greenhouse gas emissions targets would be too difficult to meet. Additionally, no major US bank has joined SBTi.

These actions occur just before the anticipated launch of a new SBTi standard designed to assess financial institutions' net zero goals, with stricter limitations on fossil fuel financing. Some banks justify their decision by citing their membership in another United Nations-backed group, the Net-Zero Banking Alliance (NZBA). However, NZBA's requirements are perceived by some financial institutions as an initiative with relatively less stringent and easier-to-meet requirements (e.g., allowing lenders to continue to finance fossil fuels in specific cases). SBTi asserts that it would not be possible to achieve targets without reducing dependence on fossil fuels and reporters observe a trend among financial institutions in attempting to "lower the bar on the emissions they help finance".

## Insights from SGX RegCo's Biennial Study on Sustainability and Climate Reporting in Singapore

A recent biennial study conducted by the Singapore Exchange Regulator (SGX RegCo) points to a generally improved landscape in sustainability reporting among listed companies in Singapore. However, the study also notes a significant deficiency in comprehensive climate-related disclosures. The study highlights deficiencies in board and management involvement and a lack of climate transition plans.

These findings are particularly disappointing after SGX adopted a phased approach to mandatory climate reporting that has begun for listed companies in five specific sectors: financial; energy; agriculture; food; and forest products. SGX RegCo's CEO considers the study's results as a 'reality check'. He emphasizes the urgency for companies to accelerate their adherence to the recently introduced climate-reporting requirements and encourages them to adopt internationally recognized reporting frameworks to disclose information in a more "structured and comparable manner". Such an approach would facilitate effective benchmarking by investors.