Latest Developments in Governance, Stewardship and Sustainability

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Stewardship Catalysts

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Proposed Amendments to IFRS S2 Greenhouse Gas Emissions Disclosures

The International Sustainability Standards Board (ISSB) has proposed amendments to IFRS S2 Climate-related Disclosures, aiming to ease the practical challenges of greenhouse gas emissions reporting. The changes address key implementation difficulties faced by entities, particularly in the financial sector, by providing relief across several areas: the measurement and disclosure of Scope 3 Category 15 emissions, the use of industry classification systems and jurisdictional relief from specific measurement standards.

The rationale behind the amendments is to reduce complexity and reporting burden while maintaining the core objective of providing decision-useful sustainability-related financial information to investors. The Exposure Draft is open for comment until 27 June 2025.

1. *Scope 3 Category 15 Greenhouse Gas Emissions*
    - *Permit entities to limit (exclude) disclosure of Scope 3 Category 15 emissions, specifically those related to derivatives, facilitated activities, and insurance underwriting.*
    - *Allow exclusion of emissions from derivatives, facilitated emissions and insurance-associated emissions.*
    - *Require disclosure of the magnitude of excluded financial activities.*
2. *Industry Classification for Financed Emissions:*
    - *Provide flexibility in using industry classification systems.*
    - *Entities can use alternative systems to GICS (Global Industry Classification Standard) in specific circumstances.*
3. *Jurisdictional Relief Clarifications*
    - *Specify that GHG Protocol exemptions apply to the specific parts of an entity subject to alternative measurement requirements by jurisdictional authorities or exchanges.*

Investors in Asia: Climate Progress and Persistent Challenges

The Asia Investor Group on Climate Change (AIGCC) released its sixth annual assessment of institutional investor climate progress across Asia, titled "State of Investor Climate Transition in Asia 2025: Progress Amid Persistent Challenges". The report paints a mixed picture of advancing climate integration alongside significant implementation gaps. The report, based on an extensive desktop review of 230 major Asian investors, reveals that while 75% of Asian investors now recognize climate change as a material factor impacting portfolios and 68% have integrated climate considerations into their investment policies, the pace of progress remains insufficient.

The report emphasizes that governance structures are improving, with 64% of investors showing board-level oversight of climate matters. However, these commitments are not always clearly translated into concrete action. Only 35% of investors have published comprehensive climate transition plans, 23% link executive remuneration to climate performance and just 25% have established asset alignment targets to drive portfolio-level decarbonization. The report highlights six major areas of improvement since 2024, with the most significant in climate solutions investment (+22 percentage points(pp)), fossil fuel policies (+15pp) and physical risk assessments (+12pp). Asset managers were found to outperform asset owners across all metrics, with AIGCC members demonstrating leadership:

- 89% of managers recognize climate risks vs. 60% of owners
- 52% of managers have net zero commitments vs. 34% of owners
- 58% of managers have fossil fuel policies vs. 28% of owners

European Development Finance: Beyond Traditional Models

On May 20, 2025, Proparco published in collaboration with the association of European Development Finance Institutions (EDFI) the 43rd edition of its Private Sector & Development magazine. The issue focused on important innovations among European development finance institutions (DFIs), including how IFU continues to invest in Ukraine despite war and high risk, developing and investing in frontier markets to achieve the SDGs and DFIs' key role in climate-change resilience.

The issue includes an analysis article, "Development Finance Institutions: New Directions for the Future" that challenges DFIs to reimagine their role and traditional operational models: from passive financial intermediaries to active, adaptive change agents in global development. While formally recognized as essential actors by governments and the private sector, these institutions have become increasingly constrained by their own risk-averse mechanisms and outdated governance structures. They are expected to drive transformative change in volatile, complex global environments, yet their internal incentives often prioritize financial efficiency over meaningful developmental impact. The authors argue that mobilization has become a narrow metric of success, with DFIs frequently getting trapped in compliance exercises and risk-minimization strategies. The authors call for a path forward focused on an updated institutional purpose and capabilities. This requires DFIs to develop more flexible operational models aligned with mission-driven finance, with updated governance, innovative incentive structures and enhanced capabilities in areas like climate action, gender equity and digital inclusion.