

MUFG TRANSIT

ESG Disclosures in APAC

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ESG Finance Department

MUFG Bank, Ltd.
A member of MUFG, a global financial group



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Section I: Introduction to ESG Disclosures

Introduction | Correlation between ESG disclosures and firm performance

Empirical evidence suggest improved ESG disclosures positively impact firm performance



Higher quantiles of ESG disclosures are associated with better market performance.
 – Wiley Research Publication (2023)



ESG disclosure has a favorable effect on sustainable growth rate.
 – University of London (2023)



ESG reporting could be key to building trust with shareholders and stakeholders.
 – EY Global Corporate Reporting and Institutional Investor Survey (2022)



Positive relationship between ESG disclosure and firm performance, measured by EBIT.
 – John Cabot University (2022)



Corporate management of ESG impacts Return on Equity, Return on Assets and stock price.
 – NYU Stern (2021)



High transparency regarding ESG information could improve the financial performance.
 – IPTEK Journal (2019)

Landscape of ESG Reporting | SASB, TCFD, CDSB, Integrated Reporting consolidating into ISSB

GRI and ISSB exist separately, but remain complementary and can be used together

GRI is the world's most widely used sustainability reporting standard covering topics that range from biodiversity, tax, emissions, to diversity, equality and health & safety

Global Reporting Initiative

- ✓ Universal Standards
- ✓ Sector Standards
- ✓ Topic Standards



Double Materiality
(Financial + Impact)

- Sector agnostic standards + few sector specific standards
- Targets – all stakeholders including employees & communities

Sustainability Reporting Scope

Double Materiality
(Multistakeholder focus)

Financial (outward-in) + Impact Materiality (inward-out)
i.e. how a company affects people & the environment



Financial Materiality
(Investor Focus)

Impacts on financial performance and a company's response to it



Growing consolidation between major standards & frameworks saw the birth of ISSB as the new global baseline for ESG reporting

International Sustainability Standards Board

- ✓ IFRS S1: Sustainability-related financial disclosure
- ✓ IFRS S2: Climate-related disclosures



Financial Materiality

- Adopted TCFD architecture
- Sector & Industry-specific standards referencing SASB
- Targets – Only investors and other providers of capital

Consolidating into ISSB



Sustainability Accounting Standards Board

Provides a Materiality Finder framework to determine a company's investor-relevant, industry-specific metrics



Task Force on Climate-related Financial Disclosures

Disclosure on climate-related risks & opportunities via a 4-pronged framework Governance, Strategy, Risk Management, Metrics & Targets



IFRS Foundation

Founded by CDSB, Integrated Reporting & SASB with belief that better information supports investment decisions. IFRS published IFRS S1 and S2 based on - <IR>, SASB, CDSB



TNFD | Growing interest in APAC due to nature-related dependencies

TNFD represents a significant development for nature-related reporting

63% of APAC's GDP is at risk due to nature-related dependencies.

Nature-positive business opportunities could generate USD 4.3 trillion across the region by 2030

Source: Temasek and World Economic Forum report on APAC's Biodiversity Crisis (2021)

33.7%

Members of TNFD forum are based in APAC

Taskforce on Nature-related Financial Disclosures (TNFD) Framework provides a risk management and disclosure framework to **identify, assess, manage and report** on nature-related dependencies, impacts, risks and opportunities.

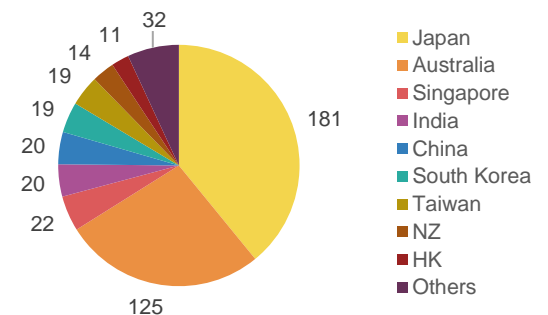
The TNFD Framework integrates all 11 TCFD-recommended disclosures by broadly replacing 'climate' with 'nature'

In addition, the TNFD Framework provides **three new disclosures**:

- Stakeholder rights and engagement
- Priority locations to accommodate specific considerations arising from regional differences
- Upstream and downstream value-chain risk and impact management



TNFD forum members in APAC



Source: TNFD

MUFG's involvement in the TNFD

Feb 2022: MUFG became a participant in the TNFD forum to promote initiatives to protect natural capital and biodiversity via the use of a groupwide, integrated approach

Jun 2022: MUFG became a member of the newly-launched TNFD Consultation Group of Japan

Interoperability | Assessing ISSB's scope versus TCFD, TNFD and GRI

ISSB's requirement to disclose Scope 3 emissions is a key stand-out from existing standards and frameworks

81% of the companies in APAC reported their ESG data using GRI standards

57% of the companies in APAC reported their climate related data using TCFD

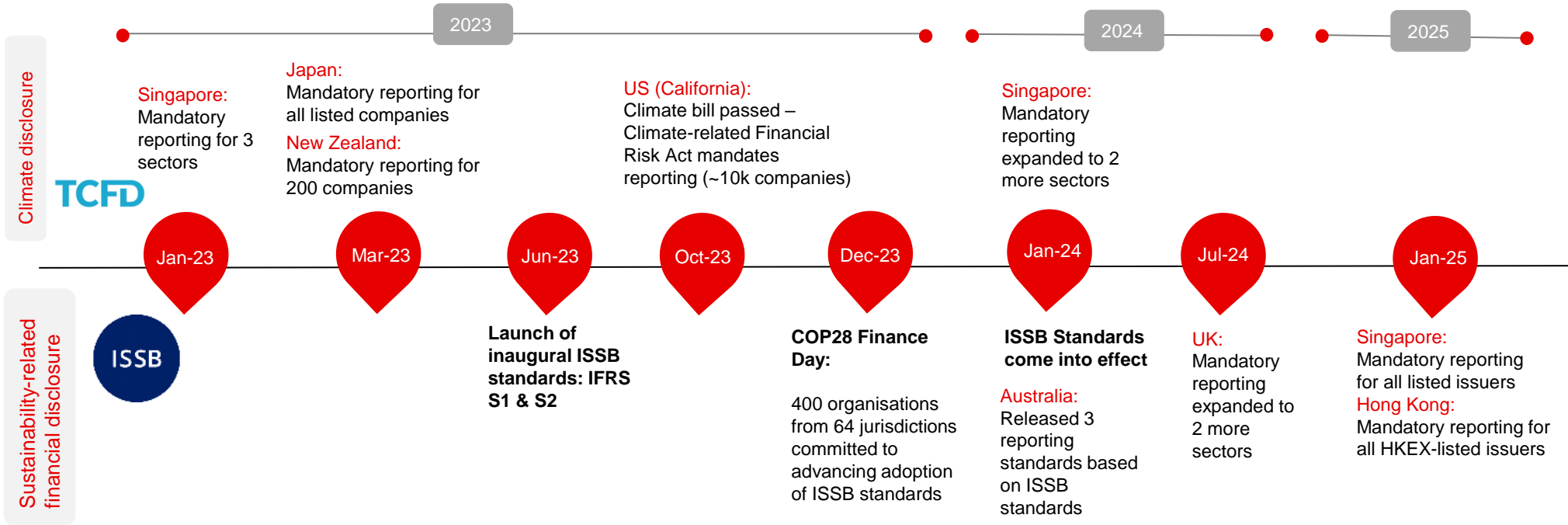
Source: PwC Sustainability Counts 2023

Disclosure Topics	ISSB	TCFD	TNFD	GRI
Climate Risks and Opportunities	✓	✓	✗	✗
Climate targets and progress	✓	✓	✗	✓
Scope 1 and 2 emissions data	✓	✓	✗	✓
Scope 3	✓	Encouraged	✗	Encouraged
Climate Risk Management / Resilience	✓	✓	✗	✗
Nature related risk and opportunities	✗	✗	✓	Partial
Compatibility with 1.5-degree scenario	✓	✗	✗	✗
Use of carbon offsets / carbon credits	✓	✓	✗	Consultation Stage
Capacity of an organization to adapt	✓	✗	✗	✗
Effects on cash flow / cost of capital	✓	✓	✓	✗
Social and Economic KPIs	✓	✗	✗	✓
Governance	✓	✓	✓	✓



Recent Global ESG Disclosure Regulations | Progress towards mandatory ESG reporting

Disclosure requirements are growing globally, with more jurisdictions mandating climate and sustainability reporting as per TCFD, ISSB



Major Jurisdiction-specific Regulations

European Sustainability Reporting Standards (ESRS)

Released Jul 2023

Materiality: Double

- Set of standards companies must adhere to in their sustainability reporting process to comply with CSRD
- Key topics: General reporting requirements, environmental impact, social responsibility
- Higher level of granularity with respect to other standards

EU Corporate Sustainability Reporting Directive (CSRD)

Released Jan 2024

Materiality: Double

- Companies under Non-financial Reporting Directive mandated to report on climate impact from 2024
- Applies to large EU companies meeting >2 of the below:
 - >250 employees
 - Net turnover >€40m
 - Total assets >€20m

US SEC climate-related disclosure

To be released Apr 2024

Materiality: Single

- Securities & Exchange Commission (SEC) climate regulatory disclosure requirements delayed from Oct 2023 due to political & business interests
- Industry-agnostic

Section II: APAC ESG Disclosures

ESG Disclosure in APAC | Key trends in the region

Driven by new standards and evolving regulations, APAC's ESG reporting landscape is under pressure to transform rapidly

As reporting obligations shift from voluntary to mandatory, companies operating in APAC focus on complying with applicable regulations and international standards



Sustainability disclosure frameworks are being **rapidly developed and implemented** across different markets, with most of the current frameworks adopting some approaches from the international standards.



Increased demand for biodiversity disclosures in APAC. Regulators and Investors are likely to **demand disclosure and assessment of biodiversity risk** from corporates.



Climate-related disclosure are becoming more popular and expected to be mandated as part of the sustainability reporting regulations.



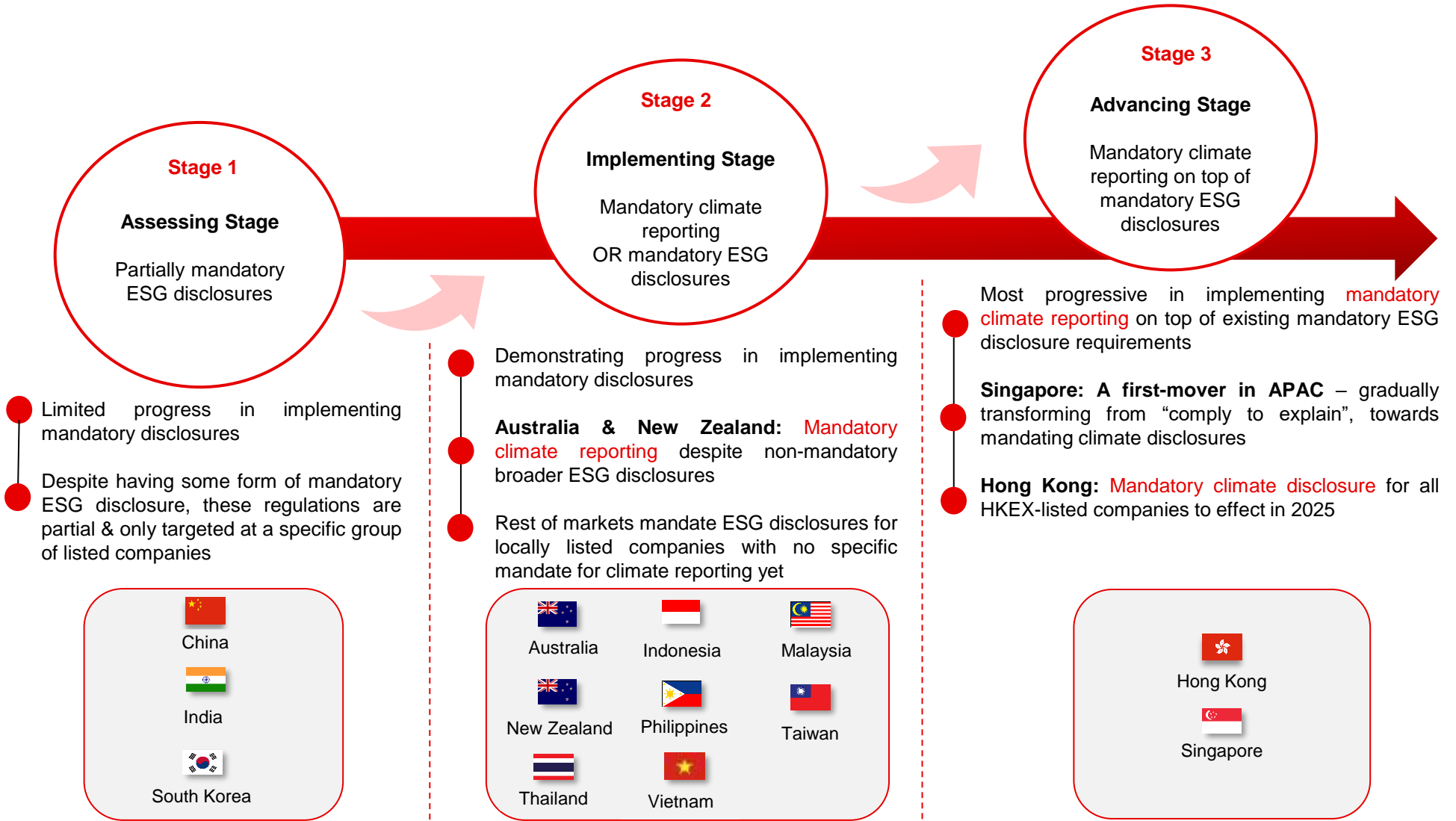
In addition to market-specific disclosure obligations, the implementation of international standards such as **ISSB and TCFD are influencing** companies' reporting outlook.



Despite increasing signs of consolidation globally, **fragmentation exists** among regulators in APAC leading to confusion in reporting and subsequently, difficulty in comparison of ESG reports.

Mandatory ESG Disclosures | Mapping key markets into three stages based on their progress



APAC as a whole is still in the developing stage in mandating ESG disclosures, with climate reporting gaining significant momentum











Mandatory ESG Disclosures | Mapping key markets (cont.)

Hong Kong and Singapore are swiftly advancing in reporting requirements, while other markets strengthen their implementation and assessment




Advancing Stage

Markets	ESG Standards Alignment	Disclosure Regulations	Mandatory Climate Reporting
Hong Kong 	GRI, ISSB, SASB, TCFD	HKEX ESG Reporting Guide	✓ ISSB-aligned for listed companies from 2025
Singapore 		SGX Sustainability Reporting Guide	✓ TCFD-aligned for 5 sectors from 2024, ISSB-aligned for listed companies from 2025

Implementing Stage

Markets	ESG Standards Alignment	Disclosure Regulations	Mandatory Climate Reporting
Australia 	CDP, GRI, IIRC, SASB, TCFD	Corporate Governance Principles & Recommendations	✓ TCFD-aligned under Treasury Laws Amendment Bill for selected entities
Indonesia 	Unspecified	OJK Regulation No. 51/POJK.03/2017	-
Malaysia 	CDP, GRI, SASB, TCFD	Bursa Malaysia Sustainability Reporting Guide	-
New Zealand 	GRI, IIRC, TCFD	NZX ESG Reporting Guide	✓ TCFD-aligned for 200 companies
Philippines 	GRI, IIRC, SASB, TCFD	SEC Memorandum Circular No. 4 - Sustainability Reporting Guidelines for Listed Companies	-
Taiwan 	GRI	Taiwan Stock Exchange's Corporate ESG Information Disclosure, Listed Company Sustainability Action Plan	-
Thailand 	CDP, GRI, IIRC	Guidelines for the preparation of sustainability reports	-
Vietnam 	CDP, GRI, IIRC	Sustainability Reporting Handbook for Vietnamese Companies	-

Assessing Stage

Markets	ESG Standards Alignment	Disclosure Regulations	Scope and Applicability
China 	CDP, GRI, SASB, TCFD	Measures for Corporate Disclosures of Environmental Information	Selected high-emitters & listed companies
India 	CDP, GRI, SASB, IIRC, TCFD	SEBI's Business Responsibility & Sustainability Report	Top 1,000 listed companies by market capitalisation
South Korea 	GRI, SASB, TCFD	Sustainability Reporting Guide	From 2026, Korea Composite Stock Price Index (KOSPI)-listed companies with asset size > KRW 2 trillion

Fund Level ESG Disclosures | APAC's push for enhancing transparency around ESG funds

Driven by the uncertainties around greenwashing and mislabeling, regulators gear up for mandatory fund level ESG reporting requirements

ESG investable assets could reach USD 50 trillion by 2025, accounting for one-third of projected AUM globally

ESG Funds in Asia doubled their market share in 2022 and are growing at a faster rate than anywhere else in the world.

- Bloomberg

With the IMF's recent call for APAC climate fund labels, investors should anticipate an increased focus on fund level ESG disclosures similar to requirements under the EU's Sustainable Finance Disclosure Regulation (SFDR) and the UK Sustainability Disclosure Requirements (SDR)

Fund level ESG disclosure requirements are now well underway across multiple jurisdictions. Concerns around greenwashing and inaccurate labelling are driving the demand for fund level ESG disclosures

ASEAN Sustainable and Responsible Fund Standards (SRFS) disclosure requirements (2022) is expected to influence member states to further strengthen fund level reporting

ASEAN Sustainable and Responsible Fund Standards

ASEAN SRFS (Oct 2022)

Seeks to provide minimum disclosure requirements that can be applied to collective investment scheme (CIS) that seek to qualify under the organization

ESG Fund Disclosure Requirements

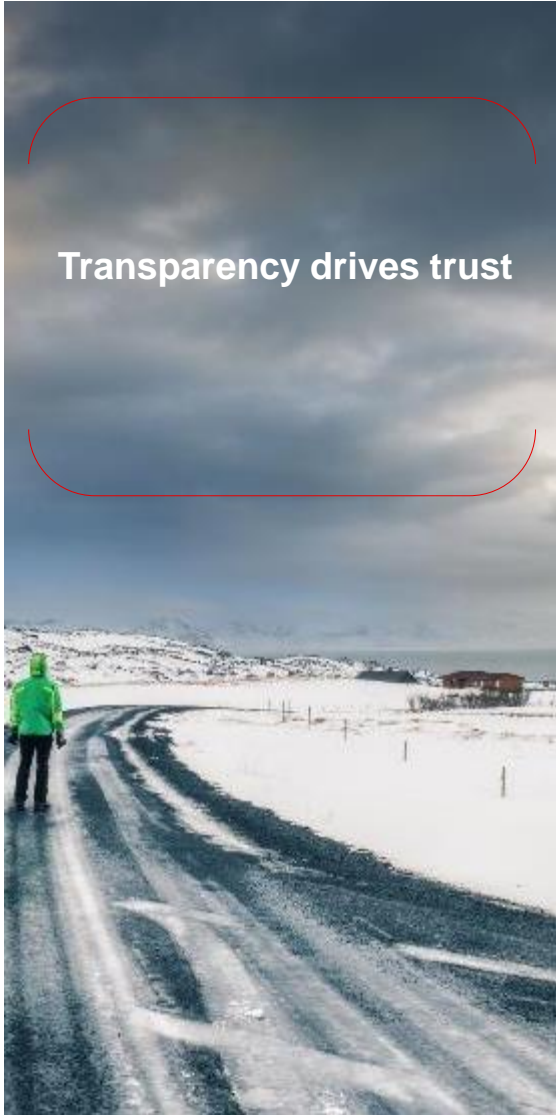
	SG	HK	CHN	SK	IDN	THL	MAL	PHL	IND	AUS	NZ	TW	VTN
Requirements	M	M	V	M	M	M	M	M	P	M	M	M	N

Although there has been progress in mandating fund level ESG disclosures, impact has been hampered by the region's limited supply of ESG investment products and fragmented data

M Mandatory **P** Partially Mandatory **V** Voluntary **N** No requirements

The Way Forward | Gradual progress, not immediate perfection

Companies should assess, measure and report ESG data with the same rigour and accuracy as financial data



Transparency drives trust



Communicate

Companies should avoid cherry-picking and aim to communicate all material ESG information and related KPIs with all of their stakeholders, including vendors, employees, investors, in a consistent, comparable and timely manner.



Encourage

Investors and asset owners should encourage companies to improve the quality and consistency of their ESG data, including more detail on material ESG information and its impact on the company's strategy, business model and future performance.



Educate

Companies should educate the board, senior executives and other stakeholders about how ESG disclosure fits within company's strategy, outlook, risk management framework, and corporate accountability.



Project Greenprint | MUFG's strategic role in developing ESG reporting infrastructure

Project Greenprint is a significant step ahead in the industry's ability to power net zero initiatives while addressing ESG data-based challenges

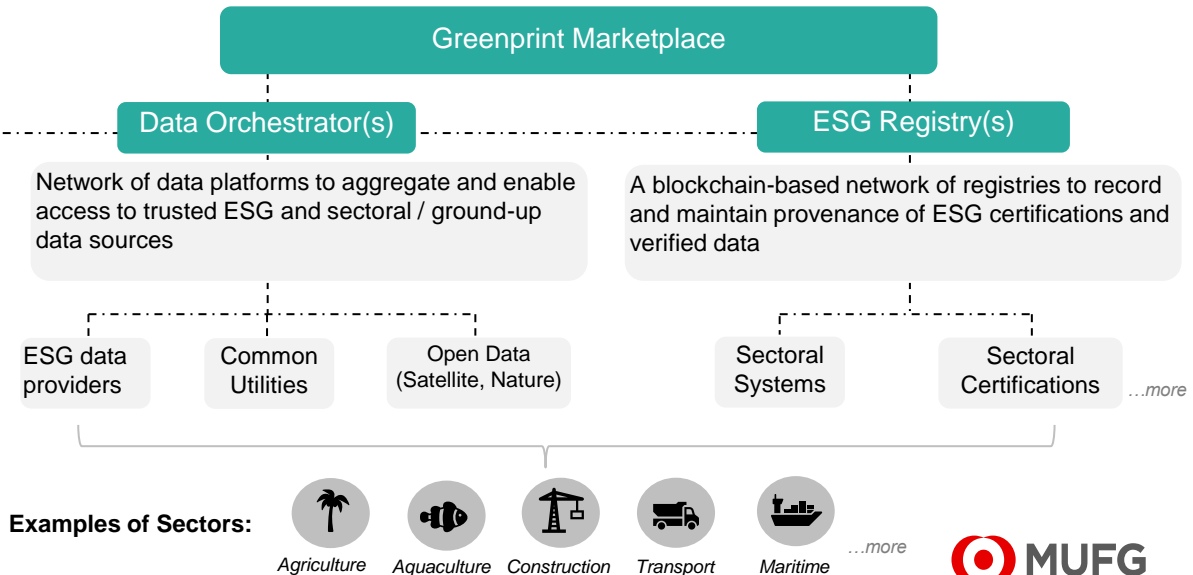


ESG Disclosure Portal

Common portal to manage and access ESG performance data and meet disclosure requirements locally and internationally. Promotes data consistency and clarity in disclosures, enabling data comparability



- Gprnt is the culmination of Project Greenprint, a collaborative effort between MAS & the financial industry to pilot digital utilities in support of the business sector's need for trusted data
- MUFG is a co-founder of Gprnt, an integrated digital platform for collecting & accessing trusted climate- and sustainability-related data
- Gprnt seeks to resolve ESG data-specific challenges and provide scalable solutions for strategic decision-making, risk assessments & regulatory disclosure requirements



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