

## Global Government Regulations July 2020

CECP Overview: While CECP does not vet or issue guidance on government regulations, CECP is able to offer insights from and in partnership with our [Global Exchange](#) partners.

### CSR AND ESG REGULATIONS

#### India

- Under [Section 135 of the Companies Act, 2013](#), India was the first country to introduce mandatory requirements on CSR for companies. [Samhita](#), CECP's Global Exchange partner in India, has followed the development of the law in the country. They published **New Frontiers in CSR**, a report that highlights a couple of CSR trends that have occurred in India since the passing of the law<sup>1</sup>:
  - Strengthening governance
  - Collaboration
  - Focus on results and impact
  - Interest in innovation
  - A more enabling ecosystem for CSR
- As the report outlines, and per data filed by companies on the Ministry of Corporate Affairs portal, around 20,000 companies had reported spending on CSR, with total spend amounting to INR 13,465 – 1.36% of the public spending.

#### European Union

- The European Union (EU) Directive on Non-Financial Reporting is an example of a groundbreaking regional initiative that has increased transparency and improved accountability among social and environmental programs. In 2017, the GRI and CSR Europe provided a synopsis of how different EU member states are applying this Directive into their national law in the report **Policy & Reporting: Member State Implementation of Directive 2014/95/EU**<sup>2</sup>. The report summarizes and compares the different approaches in how countries are interpreting the Directive in their local conditions. It also highlights Denmark and Greece as cases that have exceeded the Directive's expectations and even expanded the pool of companies now conducting sustainability reporting.
- The Directive 2014/95/EU requires large companies to disclose information on the way they operate and manage social and environmental challenges. This is a resource for policy makers, investors, consumers, and other stakeholders who wish to evaluate the non-financial performance of large companies. Approximately 6,000 companies must comply with the Directive; these are corporations that have 500+ employees and include listed companies, banks, insurance companies, and companies designated by national authorities as public-interest entities.
  - Information that must be disclosed includes:
  - Environmental protection
  - Social responsibility and treatment of employees
  - Respect for human rights
  - Anti-corruption and bribery
  - Diversity on company boards (in terms of age, gender, and educational and professional background)

#### Taiwan

- Climate Action remains highly prioritized by Taiwanese companies which can also be explained by the passing of stricter laws and regulations, such as the recommendations on climate-related financial disclosures for global organizations

<sup>1</sup> <https://drive.google.com/file/d/0B1xABlImO5ITTUJ3TGdoNE1peDQ/view>

<sup>2</sup> [https://www.globalreporting.org/resource/library/NFRpublication%20online\\_version.pdf](https://www.globalreporting.org/resource/library/NFRpublication%20online_version.pdf)

published in June 2017 by The Task Force on Climate-Related Financial Disclosure (TCFD), on behalf of the Financial Stability Board (FSB).

## Mainland China

- The China Foreign NGO law, which took effect in January 2017, continued to have demonstrable effects within China's social sector (i.e., the third sector, or the NGO sector), however it also can be seen as a global signal of certain markets turning inwards in many ways. The law entails that Beijing is now requiring foreign organizations to have an official sponsor in China or host organization and to register with the Ministry of Public Security. For more information, see this [China's New Foreign NGO Law: A Conversation with Sophie Richardson](#).

## Hong Kong

- Taking effect on January 1, 2019, the new requirements for detailed ESG report that is in line with international trends were made in Corporate Governance Code to provide a standard template for ESG reports which was not previously available. Listed companies can follow those steps and procedures voluntarily<sup>3</sup>.
- Please see [SynTao's](#), CECP's Global Exchange partner in Mainland China and Hong Kong, insights on this on page 17 -20 of the [Top 10 CSR Trends in China](#).

## ESG Trends in Mainland China<sup>4</sup>

- ESG disclosure in China is defined by three different sets of policies and guidance:
  - The Environmental Protection Law has clarified the responsibility in environmental information disclosure of key polluting companies;
  - The CSRC has issued policies regulating standards, content and formats for information disclosure of listed companies;
  - The Shanghai Stock Exchange and Shenzhen Stock Exchange have successively issued guidelines on environmental and social information disclosure of listed companies, which further regulate aspects of environmental protection and pollution reduction disclosed by listed companies.
- Although the mandatory part is limited to air, water and solid pollutants, overall ESG data reported is comparable to what companies report internationally. However, the lack of standards and limited access to mandatory data impede the quality of ESG data in China.

## LINKS TO EXTERNAL RESOURCES

- "China Mandates ESG Disclosures for Listed Companies and Bond Issuers", by Latham & Watkins LLP (Feb. 2018)<sup>5</sup>
- "Top Ten Responsible Investment Trends in China in 2019", by SynTao Green Finance & China SIF (Feb. 2019)<sup>6</sup>
- "ESG Integration in China: Guidance and Case Studies", by CFA Institute & the PRI (2019)<sup>7</sup>

<sup>3</sup> <https://esg.theasset.com/ESG/35771/how-hong-kong-listed-companies-can-improve-esg-reporting-practices->

<sup>4</sup> <https://www.unpri.org/download?ac=6500>

<sup>5</sup> <https://www.globalelr.com/2018/02/china-mandates-esg-disclosures-for-listed-companies-and-bond-issuers/>

<sup>6</sup> [http://www.syntaogf.com/Menu\\_Page\\_EN.asp?ID=21&Page\\_ID=292](http://www.syntaogf.com/Menu_Page_EN.asp?ID=21&Page_ID=292)

<sup>7</sup> <https://www.cfainstitute.org/-/media/documents/survey/esg-integration-china.ashx>