

CADWALADER CLIMATE

Connecting Climate Change and the Law



Recent Climate-Related Developments in Asia

January 6, 2023

Investing



By Duncan Grieve

Special Counsel | White Collar Defense and Investigations

Taiwan's central bank announced it will begin incorporating climate change related risks into its forecasts and modelling for inflation and economic growth. The central bank will also amend its monetary policy to better promote sustainable development. The bank said it would "incorporate weather factors into forecast models and analyze their impact on forecasts such as prices and GDP growth" and "establish an overall model related to climate change at the industry level." President of the central bank, Yang Chin-long, first announced the changes at a press conference on December 15: "If a company does not pay attention to ESG, for example, if it produces serious air pollution and does not meet the standards, then the (commercial) bank may not lend you money."

In Japan, the Tokyo-based banking and financial services company Mizuho **announced** a series of initiatives to support its climate and sustainable finance goals. This includes the launch of a framework to aid the assessment of customer transition plans. Mizuho was the first Japanese financial institution to join the Partnership for Carbon Accounting Financials (PCAF) in July 2021. The PCAF, consisting of financial institutions from around the world, aims to develop and implement a coherent approach to the assessment and disclosure of greenhouse gas emissions associated with loans and investments. Mizuho stated that the announced initiatives "may result in a temporary increase in our exposure in high-risk areas. However, assisting our clients with their transition strategy design and execution enables us to manage our transition risk appropriately and mitigate our medium- to long-term transition risk."

This announcement follows the **publication** of the Code of Conduct for ESG Evaluation and Data Providers issued by Japan's Financial Services Agency (FSA). The voluntary code is based on recommendations prepared by a panel of experts established by the FSA, which initially published a draft of the code that was then subject to public comments. The final code was published on December 15, 2022.

Additionally, the IFRS Foundation **announced** the execution of a memorandum of understanding with the Ministry of Finance in China to establish a Beijing office of the IFRS Foundation. ISSB Chair Emmanuel Faber stated that “China is the world’s second largest economy and plays a vital role in supply chains for companies around the world—making it an important jurisdiction as the ISSB develops its global baseline of sustainability disclosures for the capital markets. The Beijing office will play a vital role in this endeavor”.

Taking The Temperature: These developments, across multiple jurisdictions in the region, illustrate the continued rapid cross-border evolution of private and public climate policies and approaches, particularly in the financial services industry. In addition to Asia, banks in the United States, Europe and other jurisdictions have been **announcing** emissions-financing reduction targets and net-zero aspirations for their own operations. Other banks recently announcing policies or policy updates include ABN Amro, Deutsche Bank, and Royal Bank of Canada. We anticipate that financial institutions will continue to refine and advance climate goals while, at least in the United States, continuing to have navigate **“anti-ESG” pressure** from various state-level finance officials.