



WHITE PAPER

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APAC ESG Update | Spring Quarter 2024

This *White Paper* focuses on ESG developments through the Asia-Pacific (“APAC”) region since the start of 2024.

For businesses present in the APAC region, as well as doing business there, it is imperative to be vigilant of the ever-growing body of ESG laws, regulations, and obligations. Increasingly, regulators are actively enforcing, and sanctions are becoming a real risk for noncompliance. As this *White Paper* evidences, there is activity across the board, with all focused jurisdictions implementing extensive additional requirements. Where similar levels of enforcement have not yet been seen, it would be injudicious for businesses to rely on an absence of enforcement and not implement processes to meet such obligations.

In the region in particular, the breadth and extent of recently introduced requirements are catching some companies off guard, with many now expending significant resources to “catch up” with their obligations, which often differ across jurisdictions and pose resource demands, such as in climate-related disclosures.

ESG-related enforcement actions and proceedings are also becoming more frequent throughout the APAC region, with regulators, stakeholders, and nontraditional claimants (including environmental groups and individual activists) bringing significant claims before decision-makers, often publicly, with significant reputational and financial consequences. We are also seeing claimants leverage successful claims across jurisdictions, if at least to extract settlements.

In this Jones Day quarterly *APAC ESG Update*, our extensive team of lawyers across the APAC region set the ESG scene on a country-by-country basis, with an overview of recent and notable ESG developments across litigation, legislation and regulation, and policy.

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Overview

Over the first half of 2024, the range of ESG litigation, policy developments, and initiatives in Australia has continued to expand at a significant rate as set out in the segment below. Key throughout this quarter has been increasing enforcement and complaints and also increasing developments toward transparency through increased reporting obligations, notably from:

- **Continued regulator enforcement actions** including both the Australian Competition and Consumer Commission (“ACCC”) and the [Australian Securities and Investments Commission](#) (“ASIC”) in relation to greenwashing.
- **Significant legislative developments** including mandatory climate-related disclosure and the introduction of the Right to Disconnect legislation, which provides that eligible employees will have the right to refuse employer or third-party contact outside of working hours.
- **Numerous policies and initiatives**, including the requirement of the publication of gender pay gap data under a new disclosure regime, and the introduction of the Right to Disconnect legislation.

Australian Litigation and Complaints

ASIC wins first greenwashing penalty action against a global asset manager that the Australian Federal Court found contravened the *Australian Securities and Investments Commission Act 2001* (Cth) by making misleading claims amounting to greenwashing. The Federal Court of Australia specifically found that the respondent made false or misleading representations about the ESG exclusionary screens that were applied to an index fund. A further hearing will be held on August 1, 2024, to determine the appropriate penalty.

The ACCC accepted a court-enforceable undertaking from an Australian-based yogurt manufacturer, following an investigation into the manufacturer’s claims on its packaging, website, and social media pages that its yogurt tubs were made from “100% ocean plastic.” The ACCC was concerned the claims generated an impression that the yogurt tubs were made from plastic waste collected directly from the ocean, when in fact this was not the case. The manufacturer has agreed to remove

the “ocean plastic” representations and has also committed to publishing corrective notices.

The Federal Court of Australia found, in favor of ASIC, that a superannuation fund had engaged in greenwashing through statements concerning its ESG investment screens. The Federal Court of Australia found that the superannuation fund had, contrary to its marketing materials, actually invested in various securities that it had claimed were eliminated or restricted by ESG investment screens. These securities were held in the fund both directly and indirectly (via managed funds or ETFs). The court will consider the pecuniary penalty to impose for the conduct at a later date.

The ACCC commenced proceedings for greenwashing against a manufacturer of plastic kitchen and garbage bags. The ACCC alleges that:

- The packaging conveyed to consumers that the bags were made of 50% recycled plastic waste collected from an ocean, sea, or shoreline;
- In reality, each product was comprised of recycled plastic that had been collected from communities up to 50 kilometers (31.06 miles) from the shoreline;
- The headline “ocean plastic” statements and wave imagery on the packaging misled consumers into believing that there was some environmental benefit in purchasing the products (the removal of plastic waste from the ocean or sea or shoreline) where there was no such environmental benefit, or that such a benefit was overstated; and
- The manufacturer’s conduct undermined competition by falsely holding out the products to be more environmentally beneficial than competitors’ products.

The ACCC chair has indicated this is just the beginning of a series of actions against greenwashing, a current [enforcement priority](#) for the ACCC.

A fertilizer company was fined A\$37,560 under two infringement notices issued by ASIC for greenwashing. In the notices, ASIC [alleged](#) that the company made false or misleading statements regarding its Reforestation Project in the Philippines. In media related to the case, the ASIC deputy chair stated, “[t]his case is another example of ASIC enforcement action where we consider there to be inaccurate or misleading statements

made in sustainability-related claims. Greenwashing continues to be in our sights and remains an enforcement priority.”

The Environmental Council of Central Queensland is seeking special leave from the High Court of Australia to appeal a decision to allow two coal mine extensions. The Council had commenced proceedings challenging the decision of the Environment Minister to grant extensions to two coal mines in New South Wales. At [trial](#) and on [appeal](#), the Federal Court confirmed that, under the current environmental laws, the relevant minister does not have to directly consider the contributions that emissions from a coal or gas project would have on matters of national environmental significance, such as protected animals, plants, and places. In its judgment on appeal, the Full Federal Court noted that the case highlighted the “ill-suitedness” of the current environmental laws when it comes to assessing the threat of climate change on the environment.

Shine Lawyers has launched an investigation into alleged sexual harassment in a large ASX-listed company. In February 2022, an internal company review that was commissioned and identified “disturbing findings of bullying, sexual harassment, racism and other forms of discrimination.” Among the report’s findings were that, in the last five years, nearly three in 10 women and 6 percent of men had experienced sexual harassment at work, while 21 women reported actual or attempted sexual assault within the company. [Shine Lawyers](#) is reportedly considering commencing a class action and currently aiming to determine whether the company failed to take adequate steps to eliminate discrimination and sexual harassment for employees as far as possible in its workplaces, and whether they are liable under the *Sex Discrimination Act 1984* (Cth).

An energy and resources company is seeking a judicial review of a decision to block the Seadragon Windfarm offshore wind project. [The company](#) has filed [proceedings](#) in the Federal Court seeking a judicial review of the relevant minister’s decision to refuse a feasibility license for the project. The project would have seen 150 wind turbines placed in waters off the coast of Gippsland, Victoria, and was expected to have an operational life of up to 60 years. In refusing the license, the minister raised concerns about threatened terrestrial and aquatic species, the impact on marine and freshwater environments, and Indigenous cultural heritage values.

Australian Legislative and Regulatory Developments

The Australian Federal Parliament passed the [Right to Disconnect law](#) on February 12, 2024, granting Australian employees the right to refuse work-related contact outside of working hours. The new law gives Australian employees a positive right to reasonably refuse to monitor, read, or respond to a work-related contact outside their working hours. Whether the contact is “reasonable” involves consideration of certain factors, including the reasons for the contact, the disruption that it causes the employee, their remuneration, as well as the employee’s personal circumstances, role, and responsibilities.

The Australian federal government announced the creation of new national Environment Protection Agency to enforce decisions made under environmental laws. The new agency is to be empowered to: (i) issue environment protection orders, also known as stop-work orders, to those found to be in breach of the law; (ii) audit businesses to ensure they are compliant with their environmental approval conditions; and (iii) oversee enforcement of other environmental laws such as animal trafficking, recycling, and sea dumping.

The Australian Human Rights Law Centre (“HRLC”) has called for stronger modern slavery laws and the establishment of strong, independent oversight through a new Federal Anti-Slavery Commissioner. Although laws to establish the new Commissioner have already been introduced to Parliament, the HRLC argues that they do not go far enough. The HRLC has argued that the Commissioner must be equipped with greater powers and resources to drive real changes in corporate practices, including undertaking investigations, issuing penalties, and supporting workers to seek redress. This advocacy comes in the wake of the publication of new data from the [Global Slavery Index](#), showing that up to 41,000 people in Australia are presently estimated to be living in conditions of modern slavery.

The government established the first federal Anti-Slavery Commissioner. The passage of the [Modern Slavery Amendment \(Australian Anti-Slavery Commissioner\) Bill 2023](#) has led to the establishment of an independent commissioner to lead action against modern slavery and implement the reforms arising from the statutory [review](#) of the *Modern Slavery Act 2018* (Cth). In the 2023–24 Budget, the government committed A\$8 million over four years to support the Commissioner’s establishment and operation.

Bill introducing the mandatory climate-related disclosure regime has moved through Parliament. On May 3, 2024, the Senate Economics Legislation Committee [published](#) its findings on its enquiry into the [Treasury Laws Amendment \(Financial Market Infrastructure and Other Measures\) Bill 2024](#). The committee received various submissions supporting a delayed start date, including from the ASX stating that “rushed implementation would not only negatively impact reporting entities, investors and efficient capital allocation, but may undermine the credibility of the regime and jeopardise Australia’s attractiveness as an investment destination for global capital.” Despite this, the bill has passed through the House without amendment and is now under consideration by the Senate. If passed, reporting requirements are set to commence for entities that meet certain thresholds from January 1, 2025. Further details about the proposed regime are contained in our recent [Commentary](#) and in the [Treasury Release](#).

On the same day as the introduction of the bill for a mandatory climate-related disclosure regime, **the Australian federal government introduced two further bills to Parliament aimed at accelerating Australia’s transition toward net zero emissions.** [The Net Zero Economy Authority Bill 2024](#) establishes a new independent statutory authority to promote orderly and positive economic transformation as the world decarbonizes. [The Net Zero Economy Authority \(Transitional Provisions\) Bill 2024](#) facilitates the transition of the current interim Net Zero Economy Agency within the Department of the Prime Minister and Cabinet to a standalone statutory authority (“Authority”). The Authority will coordinate net zero efforts across government and key stakeholders, facilitate public and private sector participation and investment, support workers in emissions-intensive industries, and support First Nations and community engagement in Australia’s net zero transition.

ASIC released a consultation paper on proposed updates to its regulatory guidance for participants in the carbon market concerning financial services licensing requirements. The proposed updates address the implications of the safeguard mechanism reforms to the financial services and markets sections of the [Corporations Act 2001](#) (Cth), as well as changes in the regulatory landscape for carbon markets, particularly Australian carbon credit units, that have occurred since [RG 236](#) was last reissued in May 2015. ASIC invited feedback on its proposals to update [RG 236](#).

Gender pay gap data for nearly 5,000 Australian private sector employers was published on the Workplace Gender Equality [website](#) for the first time following amendments to the [Workplace Gender Equality Act 2012](#) (Cth). The data reveals that only 30% of employers have a neutral gender pay gap within the target range of -5% to +5%, and every industry in Australia has a median gender pay gap in favor of men.

On February 27, 2024, the **ASX Corporate Governance Council released its Consultation Draft for the fifth edition of Principles and Recommendations.** The proposed changes aim to strengthen listed entities’ governance and increase transparency for investors. Public consultation on the draft was undertaken, with the changes expected to take effect on or after July 1, 2025. The Principles and Recommendations apply to all ASX listed entities, and although not mandatory, where the Board of a listed entity chooses not to follow a particular recommendation, it must explain its approach. The Principles and Recommendations reflect a “best practice” view of appropriate corporate governance standards that entities may find useful when framing their own corporate governance policies and practices.

On April 18, 2024, **the Queensland government passed the Clean Economy Jobs Bill** to enshrine the state’s greenhouse gas emission reduction targets in law. The new law requires Queensland to cut its greenhouse gas emissions on its 2005 levels by 30% by 2030, by 75% by 2035, and reach net zero by 2050.

On June 24, 2024, **the Senate Select Committee on Greenwashing** was granted an extension to report until November 20, 2024.

The ACCC alleged that a range of Australia’s biggest companies may be engaging in “state-sponsored greenwashing” by using the Commonwealth Government’s Climate Active Carbon Neutral labelling program to certify their carbon neutrality credentials despite there being significant issues with the program. In comments made by the ACCC in the [Senate Inquiry into Greenwashing](#), the ACCC told the inquiry that the Department of Climate Change, Energy, the Environment and Water had asked for the program to pause the assessment of the scheme while the department finalized a review of the program.

Net Zero Economy Authority Bill is under consideration by Parliament. In March 2024, the Federal Government introduced a [bill](#) to establish the Net Zero Economy Authority to support the economy-wide net zero transformation by acting as a catalyst for private and public investment, major project development, job creation and transition, and skills and community development. The bill was referred to the Senate Committee for inquiry and report. The Committee's [Report](#) has urged that the bill be passed "as soon as practically possible." However, the Coalition has opposed the passage of the bill, arguing that a new authority is simply duplicating the work of the Major Project Facilitation Agency.

Chair of the Net Zero Economy Agency and Authority appointed. Dr. Iain Ross has been [appointed](#) as the acting chair of the Net Zero Economy Agency and will take up the position of inaugural chair of the Net Zero Economy Authority once the [bill](#) to establish the Authority is passed. The mandate for the Authority is to coordinate net zero efforts across government and key stakeholders, facilitate public and private sector participation and investment, support workers in emissions-intensive industries, support First Nations, and drive community engagement in the net zero transition.

A Parliamentary committee has recommended the Federal Government establish Australia's first-ever Human Rights Act. A [report](#) tabled in Parliament on May 30, 2024, has recommended that the government establish a federal Human Rights Act, which would require Parliament to "expressly consider human rights when making laws." The report has been endorsed by the Australian Human Rights Commission ("AHRC"). The AHRC's president has urged the government to adopt the recommendations because "[h]uman rights are not adequately protected at the national level" and the current framework is "outdated, ineffective, and in desperate need of reform."

Australian Policy Developments

The Australian and Canadian governments have released a [joint statement](#) on shared priorities with respect to the **preservation and development of critical minerals**. Among other things, Australia and Canada will work together to:

- Advocate for robust ESG credentials to become embedded in global critical minerals supply chains;

- Enhance supply chain transparency and traceability to ensure fair market practices; and
- Share information and best practices for reconciliation and the economic inclusion of Indigenous Peoples in critical minerals projects.

The Environmental Defenders Office ("EDO") alleges that many mining and transport companies in Australia are failing to meet the UN recommendations for legitimate net zero commitments. After auditing 30 companies, including entities in the energy, mining, and transport sectors, the [analysis](#) undertaken by the EDO alleges that many fail to meet UN recommendations for legitimate net zero commitments. The analysis suggests a general lack of clarification and transparency about which emissions are covered by these claims, how emission reductions are calculated and reported, whether credible pathways to net zero are relied on, and whether the claims meet the Paris Agreement outcomes.

Australian Government Programs/Initiatives

The Australian federal government is investing **A\$1 billion in the Solar SunShot program**. The program seeks to facilitate the capture of more of the global solar manufacturing supply chain through financial support, including production subsidies and grants for solar panels.

On March 5, 2024, Australia announced the future launch of A\$2 billion fund to boost investment in Southeast Asia, with a focus on **clean energy and infrastructure**. The Australian federal government anticipates that the fund will bring Australia in line with other international clean energy schemes such as the US\$370 billion Inflation Reduction Act and the EU's Green Deal. (See news articles [here](#) and [here](#), and Reuters article [here](#)).

On March 7, 2024, the **Australian Renewable Energy Agency ("ARENA") announced significant funding to support three key projects to accelerate the transition to electric vehicles in Western Australia**. The investment will support the deployment of battery electric truck terminals and related fast chargers in the Port of Fremantle. The investment will also support the delivery of 129 battery electric vehicles and the necessary charging infrastructure. The electric vehicles will be purchased and operated in the fleets of 22 local governments, representing 58% of Western Australians. (See [ARENA media release](#) and [news article](#)).

On February 20, 2024, the Australian Federal Minister for Climate Change and Energy proposed an area in the Indian Ocean off the Bunbury region (Western Australia) suitable for **offshore wind facilities**. Public consultation on the proposed area was undertaken. The Minister also declared an area in the Southern Ocean off Victoria suitable for offshore renewable energy. Public consultation on this proposed area will be open from June 28, 2024, until August 31, 2024. Both areas were declared well-suited for offshore wind due to strong, consistent winds and proximity to areas of high electricity demand. Throughout Australia, six areas are being assessed, but only two zones have been declared. For the declared zones, the Australian federal government has made preliminary decisions to grant feasibility licenses in the Gippsland (Victoria) declared offshore wind zones. Currently, six proponents are under preliminary consideration for the granting of feasibility licenses. In addition, the next stage of consultation has commenced with relevant Indigenous groups (See information on the proposed areas ([Indian Ocean region off WA](#) and [Southern Ocean region off Vic](#)); see information on the [Gippsland feasibility licenses](#)).

The **Australasian Investor Relations Association released the second edition of its ESG engagement guidelines: [Recommended Practices for Australasian Listed Entities](#)**. Key updates to the ESG engagement recommendations address the enhanced role of investor relations with the investment community, ensuring preparedness and strategic alignment across all stakeholders, providing comprehensive recommendations for ESG engagement and identification, and understanding ESG stakeholders.

On March 25, 2024, **the Investor Group on Climate Change published its annual survey**, which compiles data collected across 63 asset owners and managers overseeing more than A\$37 trillion on behalf of 14.8 million Australians. The survey results indicate institutional investors continue to focus on both the risks and opportunities posed by renewable energy. The study also reports a lack of adequate tools to measure and report on the “green impact” of investments.

The European Union and Australia, on May 28, 2024, signed a memorandum of understanding (“MOU”) to forge a partnership aimed at developing a secure, stable, ethical, and sustainable supply chain for critical and strategic minerals across their respective regions. This partnership aligns with the goals of the Paris Agreement and the ambition to transition

to net zero economies by 2050, as well as a key objective of Australia’s “Critical Minerals Strategy 2023–2030” (published in June 2023) to create diverse, resilient, and sustainable supply chains through strong and secure international partnerships with “like-minded” partners such as the European Union. Implementation steps include:

- Establishing a critical and strategic minerals dialogue for officials;
- Sharing information to enable partnership implementation;
- Developing a roadmap within six months of signing the MOU to outline specific cooperative actions (including respective parties identifying leading organizations to implement actions); and
- Organizing regular meetings to review progress, discuss new strategic directions, and endorse the roadmap.

The Federal Government’s FY25 budget provides for increased spending to support environmental issues. The FY25 budget announced on May 14, 2024, provides funding for the following:

- To support Australia’s continued engagement in international climate change and energy transition issues. This includes supporting Australia’s engagement with the International Energy Agency, G20, and United Nations Framework Convention on Climate Change.
- To continue delivery of the Australian Antarctic Program and expand Australia’s international scientific activities.
- To implement priority consumer energy resources reforms related to the supply of renewable electricity to the grid from rooftop solar, home batteries, and other consumer energy resources.
- To implement further reforms to the Australian Carbon Credit Unit scheme, including establishing the Carbon Abatement Integrity Committee to provide enhanced transparency measures, and support First Nations participation, including in supporting consent processes for projects on Native Title land.
- To continue implementing the “Nature Positive Plan: *better for the environment, better for business*,” including legislative reforms.
- To improve environmental and biodiversity outcomes through the Clean Up Australia and Keep Australia Beautiful organizations and the Alinytjara Wilu ara natural resource management region.



Overview

China has experienced some progress in the number of ESG regulatory and policy developments taking place over the most recent quarter. Key among these:

- In January 2024, after a lengthy period of inactivity, China officially relaunched its voluntary carbon market, the China Certified Emission Reduction (“CCER”) market.
- In April 2024, China’s three main exchanges officially published the new ESG disclosure rules in an effort to standardize ESG reporting in alignment with international standards.
- In May 2024, the Interim Regulations on the Administration of Carbon Emissions Trading came into force, marking the establishment of China’s first national legal framework for carbon market governance.

Additionally, China is progressing the implementation of a product carbon footprint management system.

Chinese Legislative and Regulatory Developments

China’s national CCER was relaunched on January 22, 2024, following a six-year hiatus in which trading activity had significantly declined. The revamped regime is viewed as central to the nation’s “30.60” decarbonization target, under which emissions are hoped to peak by 2030 and carbon neutrality achieved by 2060. The CCER is intended to supplement the mandatory carbon market in China, the Emissions Trading System (“ETS”). Under the ETS, the Chinese government grants emission allowances for significant emitters in the power sector. If a company emits more than its quota, it is obliged to acquire additional allowances from the ETS or CCER, with the CCER permitted to cover no more than 5% of any further allowances. The relaunch of the CCER therefore provides key emitters with additional methods to offset carbon emissions (see a [news article](#) on the topic).

The State Council issued the Interim Regulations on the Administration of Carbon Emission Trading on February 4, 2024. The regulations came into force on May 1, 2024, establishing a regulatory regime governing carbon emissions allowances in the mandatory carbon market and overriding the preexisting Measures for the Administration of Carbon Emissions Trading (for Trial Implementation). The interim

regulations primarily focus on the allocation of oversight responsibilities, designating to the State Council’s ecological and environmental departments the functions of overseeing and managing carbon emissions trading. The interim regulations also specify details about the products eligible for trading, trading methods, and the distribution of carbon emissions quotas (see the [official publication](#)).

China’s three main stock exchanges published trial guidelines on sustainability reporting for listed companies effective from May 1, 2024, under the unified deployment of the China Securities Regulatory Commission. The guidelines are rules at the stock exchange level and have broad coverage. While some companies listed both domestically and internationally are subject to disclosure requirements, other listed companies are only encouraged to report in accordance with the guidelines (see, e.g., [public notice of the Shanghai Stock Exchange](#)). Key takeaways from the guidelines are:

- **Timing:** Sustainability reports must be published within four months of the end of the accounting year, aligned with the annual reporting cycle. For listed companies required to disclose in accordance with the guidelines, the first report of the year 2025 is due by April 30, 2026.
- **Reporting principles:** Reports should adopt consistency in metrics, measurability, and accuracy.
- **Reporting framework:** Reports are to cover sustainability matters including the key aspects of governance, strategy, impact, risk, and opportunity management.
- **Assurance / verification:** While not mandatory, companies should nevertheless follow the relevant guidelines if they voluntarily disclose assurance and verification information.

Chinese Policy Developments

China has been progressing the establishment of a product carbon footprint management system. The main events in this progress include:

- On January 19, 2024, the Chinese Ministry of Industry and Information Technology announced plans to publish standards for carbon footprint rules governing key products (see the [official publication](#)).
- On March 16 2024, Shanghai Municipality issued the “Action Plan to Accelerate the Establishment of Product Carbon Footprint Management System,” which outlines 20 tasks in four aspects, including establishing a high-standard

product carbon footprint management system (see the [official publication](#)).

- On April 16, 2024, Beijing Municipality published “Several Measures to Promote Green and Low-Carbon Development of the Manufacturing and Information Software Industries,” encouraging companies to carry out the accounting of product carbon footprint (see the [official publication](#)).
- On June 5, 2024, the [Chinese Ministry of Ecology and Environment](#), in collaboration with 14 other national government bodies, implemented the new “carbon footprint management system” which will be in effect from 2027. According to the policy document, the system will set standards for measuring carbon emissions for approximately 100 key products throughout the Chinese economy. Initially, the standards will apply to products such as coal and natural gas as well as export products including steel, aluminum, lithium batteries, and electric vehicles.



HONG KONG

Overview

In the most recent quarter, Hong Kong has continued to focus on sustainability and addressing environmental concerns. Legislative amendments have been implemented to tackle plastic waste, while the revised Hong Kong Listing Rules provide new listing applicants with a streamlined and paperless document submission process.

At the outset of 2024, Hong Kong government and regulatory bodies, such as the Securities and Futures Commission (“SFC”), have also emphasized their priorities in developing Hong Kong’s sustainability disclosure framework and bolstering Hong Kong’s position as a leading sustainable finance hub.

While there have been limited instances of ESG litigation or enforcement actions in this quarter, it is expected that significant and noteworthy actions will be initiated within the year and/or the forthcoming years, given the continuous strengthening of Hong Kong’s ESG legislative and regulatory framework.

Hong Kong Legislative and Regulatory Developments

The first phase of the *Product Eco-responsibility (Amendment) Bill 2023* was implemented on April 22, 2024. The two-phased [amendment bill](#) introduces prohibitions on the manufacture,

sale, and/or provision of various plastic products. The aim of the amendment bill is to promote eco-responsibility and tackle environmental concerns arising from plastic waste by:

- Prohibiting the sale and provision of disposable plastic tableware, straws, stirrers, cutlery, and plates at eat-in locations from April 2024.
- Prohibiting the provision of these plastic products with take-away services under the second phase, which is presently scheduled to take effect in 2025.

Noncompliance with the new legislation can result in criminal liability, which may be discharged by the payment of a fixed penalty of HK\$2,000 (approximately US\$255) within 21 days or, failing that, a fine not exceeding HK\$100,000 (approximately US\$12,780) may be imposed.

On April 19, 2024, **the HKEX published consultation conclusions on the enhancement of climate-related disclosures under its ESG reporting framework** (“Consultation Conclusion”). The Consultation Conclusion introduces new climate-related disclosure requirements based on IFRS S1 and IFRS S2, which were published by the International Sustainability Standards Board (“ISSB Standards”), as an interim step to prepare listed issuers toward eventual sustainability reporting in accordance with local sustainability standards to be developed based on the ISSB Standards. The new climate-related disclosure requirements will come into effect on January 1, 2025, under a phased implementation approach.

Hong Kong Legislative Policy Developments

In May 2024, **the Hong Kong Monetary Authority (“HKMA”) published the Hong Kong Taxonomy for Sustainable Finance** to provide a standardized framework for classifying and labeling financial products and investments based on their environmental sustainability. Intended to enhance interoperability with other taxonomies and reduce greenwashing risks, this new taxonomy encompasses 12 economic activities under four sectors: power generation, transportation, construction, and water and waste management.

In May 2024, **the HKMA released details on the extension of the Green and Sustainable Finance Grant Scheme** (“GSF Grant Scheme”). The GSF Grant Scheme was launched in May 2021 to provide subsidies for eligible green and sustainable debt issuances in Hong Kong. The Hong Kong Financial

Secretary proposed in the 2024–25 budget to extend the GSF Grant Scheme by three years to 2027, and expand the scope of subsidies to cover transition bonds and loans with a view to encouraging relevant industries in the region to make use of Hong Kong's transition financing platform as they move toward decarbonization. The extension of the GSF Grant Scheme took effect on May 10, 2024.

In March 2024, **the Financial Services and the Treasury Bureau (“FSTB”)** issued a vision statement on developing the sustainability disclosure ecosystem in Hong Kong. The vision statement's key points include: (i) aiming for Hong Kong to be among the first jurisdictions to align the local sustainability disclosure requirements with the International Financial Reporting Standards Sustainability Disclosure Standards (“IFRS Disclosure Standards”); (ii) adopting a phased implementation approach, with application of the local sustainability reporting standards prioritized for publicly accountable entities such as listed companies and regulated financial institutions; and (iii) working with various stakeholders to develop a roadmap on the appropriate adoption of the ISSB Standards and aim to launch the roadmap within 2024.

In January 2024, **the SFC announced its strategic priorities for 2024–2026**. One key priority is to lead financial market transformation through technology and ESG, with the aim of bolstering Hong Kong's position as a leading sustainable finance hub. In its Strategic Priorities [paper](#), the SFC indicated it would pursue financial market transformation by: (i) issuing regulatory guidance for new virtual asset activities; (ii) adopting a “pragmatic” approach to the local and regional development of corporate sustainability standards; (iii) bridging Mainland carbon markets with international investors; (iv) heightening its scrutiny over greenwashing; and (v) reducing the SFC's carbon footprint in accordance with its carbon neutrality roadmap.

In January 2024, **the Green and Sustainable Finance Cross-Agency Steering Group announced three key initiatives:**

- Adopting the IFRS Disclosure Standards locally as appropriate. A working group, co-led by the FSTB and the SFC, will engage with stakeholders to identify Hong Kong-specific circumstances that should be considered when implementing international reporting standards.

- Leveraging technology to support sustainability reporting and data analysis. The Steering Group **launched** greenhouse gas emissions calculation and estimation tools to facilitate sustainability reporting by corporates and financial institutions in Hong Kong.
- Supporting the development of transition finance to consolidate Hong Kong's role as a leading sustainable finance hub. The Steering Group will broaden the development of its local taxonomy to cover energy transition activities, work with regional and international partners on capacity building, and elevate Hong Kong's thought leadership in the net-zero transition.



JAPAN

Overview

Japan has experienced limited ESG regulatory developments in the most recent quarter. Notable developments include:

- The Tokyo Stock Exchange (“TSE”) passed a new regulation prescribing a 30% female board member ratio to be realized by 2030 for all listed companies, and
- The finding of the Japan Fair Trade Commission (“JFTC”) that a collaboration agreement among five petrochemical companies to achieve carbon neutrality by 2050 posed no antitrust concerns.

Japanese Legislative and Regulatory Developments

The **TSE prescribed** a 30% female board member ratio for listed companies by 2030. Taking effect in October 2023, the TSE amended its Securities Listing Regulations to require companies listed on the Prime Market to strive to appoint more female directors (*torishimari-yaku*), statutory auditors (*kansayaku*), and executive officers (*shikko-yaku*) (together, “officers”). Corporate officers (*shikko-yakuin*) and equivalent positions are also caught under the definition of “officers.” Under the revised regulations, companies listed on the Prime Market must make efforts to achieve the following target for the ratio of female officers: (i) appointment of one or more female officers by 2025; and (ii) a ratio of female officers of 30% or more by 2030. The TSE also recommends that these companies develop a plan of action to achieve the above goals.

On February 13, 2024, the **Japanese Cabinet approved** a draft bill to be submitted to the Diet that would provide subsidies to selected suppliers of low-carbon hydrogen and its derivatives (“Hydrogen Bill”). The Hydrogen Bill, which is expected to be enacted in the current Diet session and come into force this summer, stipulates that the Japan Organization for Metals and Energy Security will provide subsidies to selected suppliers of low-carbon hydrogen and its derivatives in the form of grant funding in accordance with certified business plans. The Japanese government intends for the subsidy scheme to commence and applications to be accepted this summer, with a view to selecting the first recipients by the end of 2024.

On February 14, 2024, the Japanese government issued its **first tranche of Green Transformation (GX) bonds**. The Japanese government plans to issue JPY20 trillion in GX bonds in the next 10 years to stimulate the JPY150 trillion investment it is seeking from both the private and public sectors in helping to realize Japan’s transition to carbon neutrality by 2050. Proceeds from the bonds will be allocated to projects geared toward decarbonization, including by way of subsidies for low-carbon hydrogen and its derivatives, as described above.

On February 15, 2024, the **JFTC released** for comment its revised “Guidelines Concerning the Activities of Enterprises, etc. Toward the Realization of a Green Society under the Antimonopoly Act” or the Green Guidelines. Following consultation, the JFTC revised the Green Guidelines to clarify the position of joint equipment disposal, joint procurement, and similar initiatives under the Antimonopoly Act. Further, the Green Guidelines state unequivocally that cooperation that restricts important parameters of competition, such as price, infringes the Antimonopoly Act—even if it has a green objective.

On February 15, 2024, the **Japan Fair Trade Commission** found that there were no antitrust concerns in allowing a collaboration agreement among five petrochemical companies to achieve carbon neutrality by 2050. As part of the collaboration agreement, the companies have committed to making the transition to ammonia-fueled power plants and the production of biomass-derived fuels and chemicals. Because those five companies do not supply competing products in the market, the JFTC determined that the collaboration would not have anticompetitive effects.

Exposure drafts of standards for sustainability-related financial disclosure regime issued. On March 29, 2024, the **Sustainability Standards Board of Japan (“SSBJ”)** issued exposure drafts of three standards similar to the requirements of IFRS S1 and IFRS S2. The SSBJ aims to publish a final version of the standards by the end of March 2025, with a view to making obligatory the adoption of the final version (or the IFRS standards) after a transitional period.

From April 1, 2024, it has become necessary to hold information sessions for local residents when applying for **Feed-in Tariff (“FIT”)** certification for high-voltage and extra-high-voltage renewable energy power generation projects, with certain exceptions. The FIT certification is part of a scheme designed to accelerate investment in renewable energy technologies, whereby power companies are obliged to buy electricity exclusively from FIT-certified renewable energy facilities at fixed prices.



SINGAPORE

Overview

Over the last quarter, Singapore experienced a number of ESG developments. Notably, the Singaporean government announced the planned introduction of a mandatory climate-related disclosures regime, the Monetary Authority of Singapore (“MAS”) issued the Singapore Code of Conduct for ESG Ratings and Data Product Providers, and the Energy Market Authority announced the establishment of a Future Energy Fund to support Singapore’s Infrastructure investments.

Singaporean Litigation and Complaints

In December 2023, the Advertising Standards Authority of Singapore (“ASA”) **objected to an advertisement due to its misleading environmental claims**. This is the first time the ASA has publicly advised a retailer to take down an advertisement over “greenwashing” concerns. The advertisement was featured on the retailer’s Instagram account and claimed that using the retailer’s air-conditioner model was the “best tip” to “save Earth.” The ASA found that the advertisement was “not acceptable” and contravened the voluntary Singapore Code of Advertising Practice, as the advertisement claimed that the product could bring about energy savings regardless of whether such energy savings could be demonstrated.

In Singapore, the *Consumer Protection (Fair Trading) Act 2003* protects consumers against false or misleading claims, including those related to greenwashing. The Competition and Consumer Commission of Singapore (“CCCS”) is [developing a set of guidelines](#) to provide greater clarity surrounding environmental claims that could amount to unfair practices under that statute.

Singaporean Legislative and Regulative Developments

The Second Minister for Finance announced on February 28, 2024, that Singapore will introduce [mandatory climate-related disclosures](#) in phases **for listed companies from FY2025 onward and large non-listed companies from FY2027 onward:**

- From FY2025, all listed issuers will be required to report and file annual climate-related disclosures, using requirements aligned with the ISSB standards.
- From FY2027, large, non-listed companies (i.e., annual revenue of at least SG\$1 billion and total assets of at least SG\$500 million) will be required to do the same.

The Accounting and Corporate Regulatory Authority of Singapore will review the experience of listed issuers and large non-listed companies before introducing reporting requirements for other companies. Currently, climate reporting is mandatory for listed issuers in the financial, agriculture/food/forest products, energy, materials/buildings, and transportation industries. For other listed issuers, climate reporting is mandatory on a “comply or explain” basis.

The MAS published an industry code of conduct for providers of ESG ratings and data products. On December 6, 2023, the MAS issued the [Singapore Code of Conduct for ESG Ratings and Data Product Providers](#), which is substantially based on the recommended good practices set out in the International Organisation of Securities Commission’s Call to Action paper, and is to be applied by ESG ratings and data product providers on a “comply or explain basis.” ESG ratings and data product providers adopting the Code of Conduct are encouraged to provide a self-attestation on their compliance using the [checklist](#) published by the MAS.

Singaporean Policy Developments

The Singapore Economic Development Board and EnterpriseSG will launch new initiatives to assist companies

with their sustainability strategy and reporting in late 2024.

One such initiative, the Sustainability Reporting Grant, will provide financial support for large companies with annual revenue exceeding SG\$100 million to cover up to 30% of qualifying costs (capped at SG\$150,000 per company) in the preparation of their first sustainability report in Singapore. In addition, EnterpriseSG will partner with appointed sustainability service providers to launch a program to assist small and medium sized enterprises (“SMEs”) in producing their first reports. EnterpriseSG will defray 70% of eligible costs for SMEs participating in the first year of the program, and 50% of costs for the next two years.

On January 24, 2024, **the Monetary Authority of Singapore launched the Singapore Sustainable Finance Association (“SSFA”).** The SSFA comprises members from financial services, non-financial sector corporates, academia, and other industry bodies, and focuses on driving and shaping policy and regulatory developments, including the development of industry best practices and guidance for sustainable finance. As a starting point, the SSFA will focus on five priority workstreams: (i) supporting the development of a vibrant and transparent carbon market; (ii) scaling transition finance and mainstream financial institutions transition planning; (iii) fostering collaboration and convening market players to explore how to scale blended finance models; (iv) supporting the financial sector in addressing nature-related risks and opportunities; and (v) exploring practical applications to enhance the interoperability of the Singapore-Asia taxonomy with other jurisdictions’ taxonomies.

On March 1, 2024, **the Energy Market Authority announced the establishment of a Future Energy Fund to support Singapore’s Infrastructure investments.** The Future Energy Fund is intended to support infrastructure investments for Singapore’s energy transition toward a net-zero future. Examples of energy transition infrastructure that could be supported by the Future Energy Fund include undersea cables to import low-carbon electricity as well as new hydrogen terminals and pipelines (if hydrogen use is scaled up). The Future Energy Fund will be established by the end of 2024 via amendments to the relevant Singaporean legislation.

On December 16, 2023, **Singapore’s Ministry of Transport and Japan’s Ministry of Land, Infrastructure Transport and Tourism signed a memorandum of cooperation to establish the**

Singapore-Japan Green and Digital Shipping Corridor. This marks the first Green and Digital Shipping Corridor between Singapore and Japan to develop standards and best practices supporting the decarbonization, digitalization, and growth of the maritime industry. The partnership intends to: (i) embark on pilot projects and trials for alternative marine fuels (such as ammonia and hydrogen); (ii) develop necessary bunkering infrastructure, standards, and training; and (iii) encourage the development and adoption of technologies to decarbonize port infrastructure. On the digitalization front, Singapore and Japan will identify and implement digital solutions to streamline port clearance processes, as well as exchange information and best practices on maritime cybersecurity risks and other aspects of maritime digitalization.



TAIWAN

Overview

Taiwan has had a few ESG regulatory developments occur this most recent quarter.

Taiwanese Legislative and Regulatory Developments

Revisions to the Enforcement Rules of the Climate Change Response Act were published on February 20, 2024. Key points of the revised enforcement rules include:

- **The introduction of an authority** with a role over the review of: (i) national greenhouse gas (“GHG”) reduction; (ii) climate change adaptation results; (iii) dealings with national GHG reduction credits; (iv) collection of carbon fees on GHG emission sources; (v) management of the GHG Management Fund; (vi) oversight of the management of carbon emissions from imported products; (vii) supervision of the carbon footprint for products; (viii) management of high global warming potential GHGs; and (ix) oversight of carbon dioxide capture and storage.
- **Providing for a clear definition** of contents for climate governance-related programs.
- **Inclusion of adaptation target principles and action program items** incorporating consideration of the potential impact on human rights.
- **Information disclosure** obligations.



MALAYSIA

Overview

In February 2024, the Securities Commission Malaysia announced it would consult stakeholders about the proposed use of ISSB Sustainability Reporting Standards for mandatory climate reporting requirements for listed and large companies.

Malaysian Policy Developments

Up to March 29, 2023, the **Securities Commission Malaysia** (“SCM”), through the Advisory Committee on Sustainability Reporting (“ACSR”), consulted on the proposed use of the IFRS Foundation’s ISSB as the basis for mandatory reporting requirements for listed and large companies. The consultation follows the SCM’s launch of the ACSR last year, aimed at facilitating the use of the ISSB standards in a new National Sustainability Reporting Framework for Malaysia (“NSRF”), in addition to identifying and supporting other elements of the NSRF, including a framework for assurance and capacity building. Timing will be updated in due course.

Malaysia has pledged to reduce carbon emissions by 45% by 2030 compared to 2005 levels in COP28. The commitment aligns with international climate goals and is intended to position Malaysia as a responsible and proactive participant in the global fight against environmental degradation. Malaysia has also broadened its efforts in the adaptation sector, emphasizing the safeguarding of biodiversity and integrating climate resilience into urban planning practices in COP28.



NEW ZEALAND

Overview

This quarter saw a number of ESG litigation, regulatory, and policy developments take place in New Zealand:

- In February 2024, the Supreme Court delivered a landmark decision that opens the possibility for the emergence of new “climate change” tort. Although it remains to be seen whether the tort is recognized at trial, the decision opens the door to new forms of corporate climate accountability across common law jurisdictions.
- New Zealand’s Stock Exchange announced listing rule amendments to incorporate climate-related disclosure

obligations. The amendments clarify issuers' climate-related disclosure annual reporting obligations.

- The Minister for Workplace Relations and Safety outlined a number of proposed health and safety and employment relations reforms, the details of which remain to be seen.
- New Zealand's climate and labor rights obligations under its Free Trade Agreement with the European Union are now effective, with trade sanctions available to both parties to enforce compliance.

New Zealand Litigation and Complaints

On February 7, 2024, the Supreme Court of New Zealand handed down a **landmark decision in *Smith v Fonterra Co-Operative Group Limited* [2024] NZSC 5**, allowing claims brought by a climate change activist against seven companies to proceed to trial. The appeal arose from a claim filed in 2019 by a Māori elder, alleging that in emitting greenhouse gases, or facilitating such emissions, each defendant company: (i) contributed materially to the climate crisis; and (ii) damaged, and will continue to damage, places of customary, cultural, historical, nutritional, and spiritual significance. The plaintiff initially brought three causes of action in tort, consisting of public nuisance, negligence, and, significantly, a proposed new tort related to "climate system damage." After the plaintiff appealed a decision of the New Zealand Court of Appeal to strike out all three causes of action, the New Zealand Supreme Court unanimously allowed the appeal and reinstated all causes of action to proceed to trial. The plaintiff seeks injunctions requiring the companies to peak their emissions within certain time frames or to immediately cease emitting net emissions. By its decision, the Supreme Court has left open the possibility of the emergence of a new tort and, consequently, a new form of climate accountability for corporations in other common law jurisdictions.

New Zealand Legislative and Regulatory Developments

The EU-New Zealand Free Trade Agreement ("FTA") entered into force on May 1, 2024, having been signed on July 9, 2023, in Brussels. Among other things, the FTA requires the parties to "effectively implement" their 2030 climate targets under the Paris Agreement and to ensure core labor rights. These obligations are made enforceable through trade sanctions as a last resort. New Zealand's target is a net cut of 50% off its 2005 gross greenhouse gas emissions, which translates to about 150 million tons less emissions over a decade.

In April 2024, **NZX announced amendments to the NZX Listing Rules to incorporate climate-related disclosure obligations**. The amendments introduce requirements for issuers to appoint authorized representatives and clarify issuers' climate-related disclosure annual reporting obligations. NZX intends to implement these amendments in two phases, with the amendments relating to climate-related disclosure obligations coming into effect on May 24, 2024, and the amendments introducing the authorized representative obligations becoming effective on July 24, 2024. With respect to the former, the NZX is amending Rule 3.7 to clarify the manner in which an issuer's climate statements are to be presented in its annual report. This modification complies with the requirements of the Financial Markets Conduct Act 2013, in that issuers are permitted to either include a copy of their climate statements in their annual report or provide a website address or URL link to where the statements may be accessed.

On April 2, 2024, **the Financial Markets Authority announced that it was opening consultation** on a potential class exemption for certain green, social, sustainable, and sustainability-linked ("GSSS") bonds. This class exemption would operate on a similar basis to the same class exclusion available in the Financial Markets Conduct Act 2013 ("FMCA"), allowing listed companies to bring GSSS bonds to market more quickly, and without incurring many of the regulatory costs of a full retail investment offer. If granted, the class exemption for GSSS bonds would permit listed issuers to offer bonds with identical rights, privileges, limitations, and conditions to existing quoted bonds (which have been quoted on the NZX debt market for at least three months). However, these bonds would have a different interest rate, redemption rate, and GSSS status without the usual disclosure requirements in Part 3 of the FMCA, such as producing a product disclosure statement.

New Zealand Policy Developments

In May 2024, **the External Reporting Board opened its annual Stakeholder Survey** and is presently calling for feedback in relation to its audit and assurance standards, accounting standards, and climate standards. The survey solicits opinions about the effectiveness of the reporting standards in helping entities to: (i) contribute to the allocation of capital toward activities that are consistent with a transition to a low-emissions, climate-resilient future; (ii) communicate their performance story and enhance entities' transparency, accountability, and stewardship to stakeholders; and

(iii) engender trust and confidence in New Zealand financial and non-financial reporting.

The Reserve Bank of New Zealand released an [issues paper](#) that is intended to support initiatives to improve Māori access to financial services. The paper focuses on the progress of lending in relation to Māori freehold land (“*whenua Māori*”), aligning with recommendations made in the Commerce Commission’s [draft report](#) released on March 21, 2024. Those recommendations related to the personal banking services market study, which revealed a lack of Māori representation in the banking sector and difficulty accessing finance for housing on *whenua Māori*. Relatedly, the Māori Land Court issued a [practice note](#) on February 29, 2024, which calls for the strengthening of efforts on the part of banks to lend against *whenua Māori*.

On March 12, 2024, **the New Zealand Minister for Workplace Relations and Safety outlined a number of proposed health and safety and employment relations reforms.** Notably, the Minister suggested the Employment Relations Act 2000 needed to strike a more appropriate balance between employee protection, regulatory flexibility, and certainty of obligations and outcomes, in order to promote productivity and growth. Accordingly, the Minister proposed a number of legislative changes, including creating more certainty in contracting with independent contractors, as well as simplifying the personal grievance process for both employers and employees. The Minister indicated the intent behind the reforms was to cut “the red tape and regulations that are stopping both businesses and employees from realising their full potential.”

On April 8, 2024, **the He Pou a Rangi Climate Change Commission** announced an eight-week public [consultation](#) on three workstreams related to New Zealand’s emissions reduction target and emissions budgets. The consultation focuses on: (i) New Zealand’s emissions budget; (ii) New Zealand’s 2050 climate target; and (iii) whether emissions from international shipping and aviation should be included in New Zealand’s 2050 target. Consultation was open until May 31, 2024.

New Zealand’s Ministry for the Environment announced the [Greenhouse Gas Inventory \(1990-2022\) report](#) on April 18, 2024. The report, which represents the official annual report

on all “human-induced emissions and removals produced in New Zealand,” found that New Zealand’s gross greenhouse gas emissions fell by 4% in 2022, compared to 2021 (equivalent to 3.4 million tons of carbon dioxide).

In December 2023, **the Climate Change Commission released its [report on the government’s second emissions reduction plan](#)**, which will cover the second emissions budget period (2026–2030). Under the Climate Change Response Act 2002, the government sets emissions budgets, which confirm the total allowable net emissions across a five-year period, and emissions reduction plans, which outline the actions it will take to achieve those budgets. In its report, the Commission found that emissions are decreasing, but further action on the part of the government is required to achieve New Zealand’s 2050 target. For the second emissions budget, the total quantity of emissions reductions needed is estimated at 43.5 million tons of carbon dioxide. Under the latest government projections, published in December 2022, meeting the second emissions budget will require an emissions reduction of 20.7 million tons of carbon dioxide in addition to the policies and measures already in place. The government has until the end of 2024 to publish its second emissions reduction plan, which will be influenced by the Commission’s advice, as well as public consultation.

On March 5, 2024, **the Reserve Bank of New Zealand published a [Bulletin article](#) discussing the use of credit risk weights for climate-related purposes.** Risk weights are used to convert the actual size of an exposure into a risk-weighted asset. The Reserve Bank’s Bulletin: (i) provides an overview of the Reserve Bank’s general approach to credit risk weights; (ii) explains what climate-related risks are and their links to credit risks to individual banks and financial stability at a system-wide level; (iii) outlines how the Reserve Bank’s credit risk weights framework currently incorporates climate-related risks within its general approach to credit risk; and (iv) outlines other tools that the Reserve Bank uses to help entities manage climate-related risks to financial stability.

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