

## Update on SGX’s Responses to Comments on Consultation Papers:

### (1) Climate and Diversity: The Way Forward (2) Starting with a Common Set of Core ESG Metrics (“SGX Responses to Consultation Papers”)

On 15 December 2021, Singapore Exchange (“SGX”) announced changes to the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Rules (Mainboard) (“Mainboard Rules”) and the SGX-ST Listing Rules (Catalist) (collectively, “Listing Rules”) to address the issue of sustainability, in particular concerning climate-related disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures (“TCFD”) (“TCFD Recommendations”), assurance of sustainability reports and training for directors.

This update highlights the key changes introduced by SGX on sustainability reporting and its rollout of guidelines for sustainability reporting in the form of core environmental, social and governance (“ESG”) metrics (“Core ESG Metrics”) following the release of the SGX Responses to Consultation Papers<sup>1</sup>.

#### Background

With the release of the two consultation papers on 26 August 2021, SGX sought to enhance its sustainability reporting regime with a focus on ESG factors amid global developments in ESG and reporting on board diversity. In particular, SGX proposed amendments to the sustainability reporting regime with a view to moving towards mandatory climate-related disclosures consistent with the TCFD Recommendations. Moreover, SGX recognised the need to provide a set of Core ESG Metrics beyond those set out in the TCFD Recommendations to establish a good starting point for issuers in their reporting of material ESG factors.

#### Sustainability Reporting Roadmap

SGX will proceed with a sustainability reporting roadmap with prioritisation based on the TCFD-identified industries that are most affected by climate change and the transition to a lower-carbon economy, and will incorporate the following roadmap in the Sustainability Report Guide (“Guide”) set out in Practice Note 7.6 of the Mainboard Rules:

For Financial Year Commencing	Baseline Reporting Practice	Calendar Year in which Report Published
1 January 2022	For all issuers: Climate reporting on a “comply or explain” basis.	2023
1 January 2023	For issuers in the (a) financial industry; (b) agriculture, food and forest products industry; and	2024

<sup>1</sup> The consultation papers are available at [Climate and Diversity: The Way Forward 26 August 2021](#) and [Starting with a Common Set of Core ESG metrics 26 August 2021](#). The SGX Responses to Consultation Papers are available at [SGX Responses to Climate & Diversity: The Way Forward](#) and [SGX Responses Starting with a Common Set of Core ESG Metrics](#).

For Financial Year Commencing	Baseline Reporting Practice	Calendar Year in which Report Published
	(c) energy industry: Climate reporting on a mandatory basis. For other issuers: Climate reporting on a “comply or explain” basis.	
1 January 2024	For issuers in the (a) financial industry; (b) agriculture, food and forest products industry; (c) energy industry; (d) materials and buildings industry; and (e) transportation industry: Climate reporting on a mandatory basis. For other issuers: Climate reporting on a “comply or explain” basis.	2025

SGX has mapped out the above TCFD-identified industries onto the Thomson Reuters Sector Classification and issuers may refer to this classification to assess whether they are classified under any of the foregoing TCFD-identified industries:<sup>2</sup>

TCFD-identified Industries	Thomson Reuters Sector Classification
Financial	Banking and Investment Services
	Collective Investments
	Insurance
Agriculture, Food and Forest Products	Applied Resources
	Food & Beverages
Energy	Energy – Fossil Fuels
	Utilities
Materials and Buildings	Chemicals
	Mineral Resources
	Industrial & Commercial Services
	Real Estate
Transportation	Automobiles & Auto Parts
	Transportation

## Other Significant Amendments to the Listing Rules and Guide

Besides mandatory climate-related disclosures consistent with the TCFD Recommendations, SGX also made some other changes to strengthen the sustainability reporting regime, such as requiring an internal review of sustainability reports by issuers’ internal audit functions and all directors to undergo a one-time training on sustainability.

<sup>2</sup> <https://www.sgx.com/securities/stock-screener>

Recognising the benefit of concurrent issuance of sustainability reports and annual reports, SGX will also require sustainability reports to be issued together with annual reports, unless such issuers conduct external assurance on their sustainability reports.

Another major development is the introduction of the standardised list of 27 Core ESG Metrics. The list of Core ESG Metrics is not designed to be exhaustive or mandatory, but is meant to provide a good starting point for more robust ESG-related sustainability reporting. SGX also emphasised in the SGX Responses to Consultation Papers that the list is quantitative in nature, relevant to most sectors, and rooted in the reality of the current reporting landscape.

Please refer to the **Annex** below for a summary of the key takeaways on the changes made to the sustainability reporting regime based on the SGX Responses to Consultation Papers.

### Future Development

One key challenge faced by investors in the use of ESG-related data is the lack of consistency and comparability of such ESG data. As such, SGX's proposed development of an ESG data portal received overwhelming support from respondents to the consultation papers. The portal is expected to streamline the sustainability reporting process for issuers and improve ESG data transparency and measurability. With a growing push for digital sustainability reporting, issuers are encouraged to use the ESG data portal when it is available.

SGX also alluded to the possibility of extending the use of the ESG data portal to non-SGX listed companies. It will be interesting to see how the ESG data portal will fit into the Greenprint Common Disclosure Portal which SGX is developing in partnership with the Monetary Authority of Singapore.

If you would like information or assistance on the above or any other area of law, you may wish to contact the Partner at WongPartnership whom you normally work with or any of the following Partners:



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## Annex

### Key Takeaways of latest Sustainability Reporting Regime

A summary of the key takeaways on the changes made to the sustainability reporting regime based on the SGX Responses to Consultation Papers is set out below:

Requirements based on SGX's Responses to Consultation Papers	Status compared to existing Listing Rules / Guide	Remarks
<p><b>Mandatory climate-related disclosures</b> for prioritised industry, consistent with the TCFD Recommendations.</p> <p>Compliance with the TCFD Recommendations may also take place progressively.</p>	New	Issuers are encouraged to refer to the 2021 TCFD document (which supersedes the 2017 version) for guidance on implementing the TCFD Recommendations, including the guidance for all sectors and supplemental guidance for specific sectors.
Issuer to select a <b>sustainability reporting framework</b> which is appropriate for and suited to its industry and business model.	Unchanged	To facilitate consistency and comparability of ESG data disclosures, SGX encourages issuers to report against the Core ESG Metrics as a start.
Guideline on <b>materiality</b> in the Guide is retained (see new 4.18 of the Guide).	Unchanged	Issuers may choose to adopt an additional standard of materiality if they consider that it serves their stakeholders' needs, including the concept of "double materiality".
<b>Board</b> has ultimate <b>responsibility</b> for the issuer's sustainability reporting.	Unchanged	The Board has to provide a statement that, among others, it has overseen the management and monitoring of material ESG issues.
<b>Management</b> has <b>responsibility</b> to ensure that the ESG factors are monitored on an ongoing basis and properly managed.	New	The sustainability report should also describe the roles of the Board and management in the governance of sustainability issues.
<b>Internal review</b> of the sustainability reporting process by internal audit function is required.	New	The internal review should be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.
Issuer is encouraged to consider <b>independent external assurance</b> on selected important aspects of its sustainability report even in its initial years, expanding coverage in succeeding years.	New	Scope of external assurance may include materiality assessment and should be performed in accordance with recognised assurance standards.
All <b>directors undergo training</b> on sustainability matters as prescribed by SGX. If nominating committee is of the view that training is not required because the director	New	Issuers have the flexibility of utilising the training provided by the Singapore Institute of Directors or any other appropriate service provider that SGX prescribes. Issuers should provide confirmation that their directors have attended the sustainability training in their first

Requirements based on SGX's Responses to Consultation Papers	Status compared to existing Listing Rules / Guide	Remarks
has expertise in sustainability matters, the basis of its assessment must be disclosed.		sustainability report for financial years commencing on or after 1 January 2022.
Issuer should <b>report on sustainability at least once a year</b> . The report may be in the annual report or the issuer may issue a full standalone sustainability report with a summary in its annual report.	Unchanged	-
If a standalone sustainability report is issued, it must be within <b>4 (instead of 5) months of the end of the financial year</b> , unless external assurance is done on the report.	New	-
Issuer must maintain and disclose in its annual report a <b>board diversity policy</b> that addresses gender, skills and experience, and any other relevant aspects of diversity.	New <sup>3</sup>	Issuers should have a board diversity policy that addresses gender, skills and experience and any other relevant aspects of diversity. Issuers must also disclose, in its annual report: (a) the board diversity policy; (b) targets for achieving the stipulated diversity, accompanying plans and timeline for achieving the targets; (c) progress towards achieving the targets within the timelines; and (d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.
SGX will proceed with the current list of <b>27 Core ESG metrics</b> as a starting point (available on SGX website <sup>4</sup> ).	New	SGX will continue to monitor the International Financial Reporting Standards (IFRS) Foundation's progress to develop globally comparable baseline sustainability reporting requirements for all businesses.
SGX will proceed with the <b>development of the ESG data portal</b> .  Intended to streamline sustainability reporting process for issuers and reduce the time and effort needed to study the fast-evolving ESG frameworks and landscape.	New	The portal will provide guidance on reporting and individual ESG metrics, mapped against relevant disclosure frameworks. With a structured set of ESG data, issuers will be able to generate their sustainability reports and streamline the current practice of responding to multiple questionnaires and ESG data intermediaries. Smaller issuers that make disclosures on this data portal may also enhance their visibility to international investors and improve their access to capital.

<sup>3</sup> The Code of Corporate Governance requires issuers to disclose in the annual report, on a "comply or explain" basis, the board diversity policy and progress made towards implementing the policy, including objectives. Under the revised Listing Rules, it is mandatory for issuers to maintain board diversity policy and describe in its annual report its board diversity policy.

<sup>4</sup> Together with other reporting resources, the list of Core ESG Metrics will be available at <https://www.sgx.com/regulation/sustainability-reporting>

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