

RESPONSE TO CONSULTATION PAPER ON CLIMATE AND DIVERSITY: THE WAY FORWARD

Singapore Exchange Regulation invites comments on this Consultation Paper. Please send your responses through any of the following means:

Email	listingrules@sgx.com
Mail	Singapore Exchange Regulation 11 North Buona Vista Drive #06-07, The Metropolis Tower 2 Singapore 138589 (Attention: Listing Policy & Product Admission)

Please include your full name and, where relevant, the organisation you are representing, as well as your email address or contact number so that we may contact you for clarification. Anonymous responses may be disregarded.

SGX may make public all or part of any written submission, and may disclose your identity. You may request confidential treatment for any part of the submission which is proprietary, confidential or commercially sensitive, by clearly marking such information. You may request not to be specifically identified.

Any policy or rule amendment may be subject to regulatory concurrence. For this purpose, you should note that notwithstanding any confidentiality request, we may share your response with the relevant regulator.

By sending a response, you are deemed to have consented to the collection, use and disclosure of personal data that is provided to us for the purpose of this Consultation Paper or other policy or rule proposals.

Please refer to the Consultation Paper for more details on the proposals.

Respondent's Information

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Statement of Interest	The International Capital Market Association (ICMA) is a global membership association committed to serving the needs of its wide range of members. These include private and public sector issuers, financial intermediaries, asset managers and other investors, capital market infrastructure providers, central banks, law firms and others worldwide. ICMA currently has over 600 members located in 65 jurisdictions. See: www.icmagroup.org. ICMA promotes well-functioning cross-border capital markets, which are essential to fund sustainable economic growth. More specifically, ICMA represents the global debt capital market and provides the standards underpinning the sustainable bond market with the Green and Social Bond Principles (GBP and SBP), the Sustainability Bond Guidelines (SBG) and the Sustainability-linked Bond Principles (SLBP).

Disclosure of Identity

Please check the box if you do not wish to be specifically identified as a respondent:

☐ I/We do not wish to be specifically identified as a respondent.

Consultation Questions

Question 1: Roadmap towards Mandatory Climate-related Disclosures

Do you agree with the proposed roadmap towards mandatory climate-related disclosures, consistent with the recommendations made by the Task Force on Climate-related Financial Disclosures (“TCFD”, and the recommendations, “TCFD Recommendations”)? You may also provide suggestions on the roadmap.

Please select one option:

- ☒ Yes
☐ No

Please give reasons for your view:

ICMA acknowledges the increasingly urgent climate crisis and the importance of the availability of TCFD-aligned disclosures for investors in general. ICMA’s global buy-side constituency has underlined the importance of the near-term availability of TCFD reporting especially in light of the product disclosure requirements imposed by various regulators such as the UK FCA. We therefore welcome SGX’s efforts to urge issuers to make climate related disclosures consistent with the TCFD framework.

We do not comment on the timelines proposed in the Roadmap.

Question 2: Prioritisation of Industry Sectors

- (a) Do you agree that the prioritisation of issuers for mandatory climate-related disclosures should be based on their industry classification? If so, please suggest the industries (for example, those identified by the TCFD or the Green Finance Industry Taskforce).

Please select one option:

- ☒ Yes
☐ No

Please give reasons for your view:

We agree that sectors with the highest climate-related risks should be prioritised in mandatory climate reporting. As the consultation paper points out, there are many existing analyses to identify which sectors are intensive in carbon emission (we suggest reviewing the Scope 3 emission in addition to Scope 1 and 2 only), vulnerable to climate change, or promising in decarbonization, and most analyses arrive at a similar list of priority sectors. We do not have specific preference on the methodology to be used to derive a list of priority sectors, but would emphasise that the industrial sector should be included in the list of prioritised sectors, since the international investor community regards industrial as a hard-to-abate sector and generally require more information about how industrial companies take climate transition into account for their strategy, governance and business practices.

We also suggest supplementing the industrial classification approach with a threshold on market capitalization to encourage large corporates to take the lead in the initial phase and bring in smaller issuers later.

- (b) If you disagree with a prioritisation based on industry classification, please suggest alternatives (for example, based on size, which may be pegged to the issuer's listing board (i.e. Mainboard or Catalist), market capitalisation or other thresholds).

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

Question 3: Amendments to Incorporate TCFD Recommendations

Do you agree with the proposed amendments to incorporate the TCFD Recommendations in the sustainability reporting regime in the Listing Rules?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We particularly support the amendment *“iii) should devise policies and issuers processes to adequately and effectively manage the risks associated with the identified material ESG factors, and describe key features of mitigation”*.

Some of the standards and frameworks already used by companies in their non-financial reporting had already converged on climate-related information on the basis of the Taskforce on Climate-related Financial Disclosure (TCFD) in 2020, and are starting to collaborate more closely. In November 2020 the Global Reporting Initiative (GRI), the Sustainability Accounting Standards Board (SASB), the International Integrated Reporting Council (IIRC), the Climate Disclosure Standards Board (CDSB) and CDP (formerly the Carbon Disclosure Project), announced they would join forces to work together towards Comprehensive Corporate Reporting, and in December 2020 published a joint paper. Furthermore, SASB and IIRC, which both focus on financial materiality, in June 2021, merged into the new Value Reporting Foundation (VRF).

For the sustainable bond market, we have seen increasing interest from international investors in issuer transparency on processes to identify and manage perceived and known social and/or environmental risks. Therefore, the Green Bond Principles have updated the 2021 edition to include among others a recommendation, similar to the amended iii) proposed by SGX:

- The issuer of a Green Bond should clearly communicate to investors complementary information on processes by which the issuer identifies and manages perceived social and environmental risks associated with the relevant project(s).
- Issuers are also encouraged to have a process in place to identify mitigants to known material risks of negative social and/or environmental impacts from the relevant project(s). Such mitigants may include clear and relevant trade-off analysis undertaken and monitoring required where the issuer assesses the potential risks to be meaningful.

Question 4: Sustainability Reporting Frameworks and ESG Indicators

Do you agree that SGX should not, at this current juncture, prescribe specific sustainability reporting frameworks and environmental, social and governance indicators against which issuers should report?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

Given the various reporting frameworks and the ongoing efforts to harmonise them, we believe that issuers should be given the flexibility to choose which reporting frameworks and ESG metrics that best suit their industries and business. We support SGX's approach not to prescribe specific frameworks or metrics, but to provide reference and guidance on existing frameworks and commonly used indicators. In the longer term it would be helpful to investors especially, if, similar to what the European Financial Reporting Advisory Group (EFRAG) is doing in the EU, a set of mandatory sustainability reporting standards according to which companies would have to report, were created.

Question 5: Guideline on Materiality

Do you agree that the working guideline on materiality, as stated in the Sustainability Reporting Guide, should be retained?

Please select one option:

☒ Yes

☐ No

Please give reasons for your view:

We also suggest adding an explanation for "double-materiality" in the Sustainability Reporting Guide and encouraging issuers to apply it. The double materiality comprises two aspects: (i) information necessary to understand how sustainability matters affect them, otherwise referred to as risks to the undertaking (outside-in perspective) and (ii) information necessary to understand the impact they have on people and the environment, otherwise referred to as impacts of the undertaking (inside-out perspective).

The working guideline on materiality in the Sustainability Reporting Guide (quote *"sustainability reporting relates to the most important ESG risks and opportunities that will act as barriers or enablers*

to achieving business goals in the short, medium and long term") accentuates more the outside-in perspective which deals with what is material to investors and is reflected in both SASB and the TCFD whereas GRI is incorporating both materiality perspectives. As explained under Question 3, we observe that investors are paying more attention to issuers' processes to identify and manage environmental and social risks, which is one of the aspects of the inside-out perspective, and therefore suggest that the SGX Sustainability Reporting Guide raise issuer awareness on this and encourage them to understand and apply the double materiality principle.

Question 6: Assurance

- (a) Do you agree that issuers should be required to subject their sustainability reports to internal assurance? If so, do you agree that the scope should minimally include assurance on whether data being reported is accurate and complete?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

In ICMA's experience external reviews are regarded as a best market practice to increase transparency and credibility in the sustainable bonds market. In fact, external reviews have been added as a key recommendation of the Green Bond Principles in the 2021 update and are a core component in the Sustainability-Linked Bond Principles. The Climate Transition Finance Handbook which provides additional guidance to issuers also recommends independent review, assurance and verifications.

On issuer-level sustainability reporting, we do not comment on whether internal or external assurance is more appropriate, but would like to recommend classifying the reporting elements in the sustainability reporting into historical and forward-looking information and applying different assurance requirements/recommendations in the initial phase.

Against a background of widely seen problems with data generation and assimilation as well as changing standards, assumptions and methodologies used for climate-related projections, the uncertainties around the best market practices to make forward-looking disclosure are likely to prevail for some time. Therefore, we suggest that the historical information be subject to assurance requirements while issuers are encouraged to undertake assurance for forward-looking information and analyses in the initial phases.

- (b) Are there any aspects of the sustainability report that should be subject to external assurance?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

- (c) Should issuers be required to disclose in the sustainability report that internal assurance or external assurance has been conducted? If so, please suggest the content of such disclosures.

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

Question 7: Training for Directors

- (a) Do you agree that the mandatory training for directors that have no prior experience as a director of an issuer listed on the SGX-ST ("**First-time Directors**") should include a specific component on sustainability? If so, please provide your views on the specific topics relating to sustainability that should be covered?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

- (b) Do you agree that all directors (regardless of whether they are First-time Directors) must undergo a prescribed one-time training on sustainability?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

Question 8: Reporting Timeframe

- (a) Do you agree that the sustainability report should be issued together with the annual report?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

- (b) Do you agree that issuers who conduct external assurance should be allowed to follow the existing reporting timeline (i.e. option of issuing a full standalone sustainability report within five months of the end of the financial year, with a summary included in the annual report)?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

Question 9: Board Diversity

- (a) Do you agree that issuers must set and disclose their board diversity policy in their annual reports?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

- (b) Do you agree that gender should be an aspect of diversity encapsulated within issuers' board diversity policy? What other aspects, if any, must be mentioned?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

- (c) Do you agree that issuers' disclosure in their annual reports on their board diversity policy must contain targets for achieving the stipulated diversity, accompanying plans, and timeline for achieving the targets?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

(d) Apart from targets, accompanying plans and timeline for achieving the targets, what other component, if any, must be part of the issuers' disclosure on their board diversity policy?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

(e) Do you agree that issuers should be required to disclose in their annual reports as part of the board diversity policy, how the combination of skills, talents, experience and diversity of directors on the boards serve their needs and plans?

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment

Question 10: Implementation

Do you agree with the implementation timeline? If not, please elaborate and propose alternatives.

Please select one option:

☐ Yes

☐ No

Please give reasons for your view:

No comment