

Consultation Paper

Starting with a Common Set of Core ESG Metrics

26 August 2021

Singapore Exchange

Responding to this Consultation Paper

Singapore Exchange Regulation Pte. Ltd. invites comments on this consultation paper.

Please send your responses through any of the following means:

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

Responses should include a summary of the major points, a statement of interest and reasoned explanations. Please identify the specific policy or rule proposal on which a comment is made. Please also 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.

Comments are requested by **27 September 2021**.

Contents

I	Introduction	1
1	Background	1
2	A Common Set of Core ESG Metrics	2
3	ESG Data Portal	3
II	List of Core ESG Metrics	5
1	Environmental.....	5
2	Social	6
3	Governance.....	7

I Introduction

1 Background

- 1.1 Globally, the call for greater harmonisation of standards and taxonomy by environmental, social and governance (“ESG”) practitioners reflects the gap and misalignment between information provided by reporters and users’ requirements. Greater orchestration of efforts by various stakeholders of the capital market ecosystem is needed to address this issue.
- 1.2 There is good progress made by various stakeholders in their ESG disclosure journeys. However, challenges exist. Issuers supplying ESG data and information are still confronted with mounting requirements, evolving sustainability reporting frameworks and intensive investor surveys, while investors are still seeking quality, and greater consistency and comparability in data and information. Hence, there is room for improvement and better alignment between users and reporters of ESG information.
- 1.3 This Consultation Paper should be read together with the Consultation Paper titled ‘Climate and Diversity: The Way Forward’ (“**Climate and Diversity Consultation**”).¹ In the Climate and Diversity Consultation, SGX is consulting on proposals relating to the SGX-ST Listing Rules (Mainboard) and the SGX-ST Listing Rules (Catalist) (“**Listing Rules**”) to help issuers better address immediate and increasing interest in sustainability, particularly around disclosure of climate-related information consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”, and the recommendations, the “**TCFD Recommendations**”), assurance of sustainability reports and trainings for directors. Proposals are also made to require disclosures on board diversity.
- 1.4 On harmonisation of reporting frameworks to improve consistency, comparability and reliability of sustainability-related disclosures by issuers, the Climate and Diversity Consultation has highlighted in particular the works of the International Financial Reporting Standards (“**IFRS**”) Foundation (“**IFRS Foundation**”) and its proposed establishment of an International Sustainability Standards Board (“**ISSB**”).² SGX is watching with interest the IFRS Foundation’s programme of work to develop globally comparable baseline sustainability reporting requirements for all businesses.
- 1.5 In the interim, there is a risk of inaction leading to a greater divergence and intensified confusion. The local market also runs the risk of losing relevance to a fast-growing segment of ESG-focused assets under management, which may result in an outflow of liquidity.
- 1.6 In addition to growing demands from investors and financial markets participants for sustainability-related disclosures, mandatory supply chain disclosures are also increasing globally.³ The German Supply Chain Act was passed in June 2021, requiring large companies located in Germany to establish due diligence procedures to monitor human rights and environmental issues within global supply chains while the United Kingdom Government recently proposed new laws to the

¹ The Climate and Diversity Consultation is available at <https://www.sgx.com/regulation/public-consultations>.

² The IFRS Foundation commenced work towards establishing the ISSB by November 2021 to set global baseline sustainability reporting standards, building on existing work, including that of the TCFD and other sustainability reporting organisations. The IFRS Foundation is working towards a final climate standard being published by the anticipated ISSB in June 2022, while it concurrently conducts an agenda consultation on expansion of standards beyond climate.

³ For example, German Parliament, “Act on Due Diligence Obligations in Supply Chain” (11 June 2021), United Kingdom Parliament, “Environment Bill” (2021), Senate and House of Representatives of the United States of America in Congress, “Business Supply Chain Transparency on Trafficking and Slavery Act of 2020” (13 March 2020), Dutch Senate, “Dutch Child Labour Due Diligence Law” (May 2019) and France National Assembly, “Duty of Vigilance Law” (March 2017).

Environment Bill to prohibit illegal deforestation and require large corporates to undertake due diligence and reporting on their supply chains. The Carbon Disclosure Project (“**CDP**”) has also reported that corporates are turning the spotlight on their own supply chains – the number of requests for supplier disclosure from CDP Supply Chain members grew by 19% to more than 15,000 in 2020.⁴ Similarly, a new study by Standard Chartered revealed that 78% of multinational corporations will remove suppliers that endanger their carbon transition plan by 2025, and the impact on Singapore is US\$147 billion of annual export revenue being potentially at risk.⁵ Therefore, to maintain business resilience and competitiveness, there is a need for issuers to address these issues and communicate these efforts effectively in their sustainability reports.

2 A Common Set of Core ESG Metrics

- 2.1 In the Climate and Diversity Consultation, SGX has proposed that, aside from the TCFD Recommendations for climate-related disclosures, it would not be prescribing any specific sustainability reporting frameworks and ESG indicators for issuers at this current juncture.⁶
- 2.2 Nonetheless, SGX notes that there is a need for some basic level of convergence on data definition to alleviate the difficulties faced by financial institutions, investors and other financial market participants. In this regard, having a common set of core ESG metrics beyond those set out in the TCFD Recommendations can serve as a good starting point for issuers in their reporting of material ESG factors.⁷
- 2.3 To this end, SGX has reviewed over 330 sustainability reports published by issuers across the past three years, accumulated over 12,000 data points and distilled a core set of 27 metrics commonly reported by issuers. These metrics are quantitative in nature, relevant to most sectors and are rooted in the reality of the current reporting landscape.
- 2.4 SGX has also engaged buy-side users across a broad cross-section of institutional investors ranging from family offices to global asset managers. They gave feedback such as the need for a structured dataset to fit their consumption pattern, comparability of dataset across companies and a consistent taxonomy aligned with global standards to facilitate meaningful investment decision-making. These buy-side users have endorsed the relevance of the core set of 27 metrics.
- 2.5 The list of 27 metrics is listed in Part II of this Consultation Paper. Each metric has a description, defined standardised units and is mapped against globally-accepted sustainability reporting frameworks – the Global Reporting Initiative (“**GRI**”), the Sustainability Accounting Standards Board (“**SASB**”), the TCFD Recommendations, and the World Economic Forum’s (“**WEF**”) recommended set of metrics and disclosures.
- 2.6 SGX recognises that the metrics were developed based on a review of past reporting by issuers and thus may not reflect latest developments in sustainability-related disclosure requirements, which is a relatively nascent but fast evolving space. As such, the metrics are meant to serve as a starting point for issuers in disclosing quantitative ESG metrics, and are by no means exhaustive.⁸ The

⁴ CDP, “Transparency to Transformation: A Chain Reaction – Global Supply Chain Report 2020” (February 2021).

⁵ Standard Chartered, “Carbon Dated: Multinational Companies Planning to Cut Suppliers by 2025 for Failing to Curb Carbon Emissions” (8 June 2021).

⁶ Please refer to paragraph 2 of Part II of the Climate and Diversity Consultation.

⁷ TCFD has also issued both general and sector-specific guidance on implementing the TCFD Recommendations. The sector-specific guidance highlights important considerations for the financial sector and non-financial sectors potentially most affected by climate change, and provides a fuller picture of potential climate-related financial impact in those sectors.

⁸ For example, there are further metrics which may be of importance to issuers and investors, including water withdrawal from water-stressed areas, impact on biodiversity due to business operations, pay parity within firm,

metrics will also be reviewed and updated from time to time, according to evolving investor needs and reporting frameworks.

- 2.7 In view of the above, SGX proposes for the list of metrics to be used as a guidance for reporting under the Listing Rules.⁹ While not mandatory, all issuers are encouraged to consider reporting against this list of metrics as a baseline. Issuers should still conduct a materiality assessment to ensure the relevance of reported metrics.

Question 1: A Common Set of Core ESG Metrics

- (a) Do you agree that it is useful to provide guidance for issuers to disclose a common and standardised set of ESG metrics?
- (b) Do you agree with the list of ESG metrics listed in Part II of this Consultation Paper? Do you have any feedback or suggestions?

3 ESG Data Portal

- 3.1 SGX is also evaluating an ESG data portal to enhance alignment between issuers and investors over the use of ESG-related data and information. The portal allows investors to access ESG data in a structured format with the desired level of consistency and comparability, while issuers are guided in providing ESG disclosures, mapped to global reporting frameworks.
- 3.2 The portal will have the flexibility to accommodate changes in reporting requirements from global standards, including the globally comparable baseline sustainability reporting requirements to be developed by the proposed ISSB, if that gains market acceptance.
- 3.3 We envisage the portal to include issuer-focused features such as (a) direct data input templates for streamlined reporting, (b) bulk upload of data in commonly used digital formats (e.g. CVS, XBRL, XML), (c) Application Programming Interface access to issuers' existing internal reporting tools, (d) data mapping and guidance across established reporting frameworks to minimise duplicate reporting efforts, and (e) sustainability report generation.
- 3.4 With the sustainability report generation feature, issuers are able to create and generate their annual sustainability reports through the portal, and do not need to publish a separate report. To aid issuers in the early stages of their ESG disclosure journey, the portal will contain guidance on disclosures and be aligned with SGX's Listing Compliance Toolkit for sustainability reports.¹⁰ The focus is to assist issuers in producing a sustainability report that is aligned with global reporting frameworks, data-focused and complemented by relevant explanation and narrative on policies, targets, implementation and measurement as well as in accordance with the requirements prescribed in the Listing Rules. This would help to simplify and streamline sustainability reporting processes, alleviating the reporting burden for such issuers.
- 3.5 On the other hand, investor-focused features would include access to a quality structured database, available in digital formats that are widely used, allowing for effective investment decisions. Investors would also be able to use consistent and comparable data to perform time series analysis

sustainability-linked compensation packages for management, as well as indicators and guidance by the International Labour Organisation.

⁹ The list of 27 metrics will be made available on the SGX Website after SGX has responded to the feedback received from this Consultation Paper.

¹⁰ The Listing Compliance Toolkit is available at <https://www.sgx.com/regulation/listing-compliance-toolkit>.

or peer benchmarking.

- 3.6 As the ESG data portal would function as a single portal for issuers to submit their sustainability-related disclosures and data (including their annual sustainability reports), this would facilitate digital access by investors and other users of such information. To further enhance digital consumption of reported information by investors and other users of sustainability reports, SGX is seeking views on whether issuers should submit their data in widely used digital formats, for example those mentioned in paragraph 3.3 of this Part I.
- 3.7 In this regard, SGX notes that digital sustainability reporting is high on the agenda of several governments, including the European Union (“EU”). Specifically, the EU has issued a consultation on the establishment of a European single access point (“ESAP”) for financial and sustainable investment-related information publicly disclosed by companies.¹¹ The proposed ISSB will also be considering a future digitisation strategy for sustainability reporting.¹² SGX will be closely monitoring such developments and thus is also seeking public feedback on a similar direction of travel for digital sustainability reporting.

Question 2: ESG Data Portal

- (a) Do you agree that an ESG data portal with the functionalities described in paragraph 3 of this Part I is useful in enhancing alignment between issuers and investors over the use of ESG data? What are some other features you would like to see on the ESG data portal?
- (b) Do you agree that the ability to generate sustainability reports directly from the ESG data portal will be useful for issuers?
- (c) Do you agree that issuers should be required to move towards digital sustainability reporting, including submitting ESG data in widely used digital formats via the data portal? What are the challenges in doing so?

¹¹ Respondents to the consultation indicated sustainability reporting and ESG data as top recommended information to be included in the ESAP. In terms of data formats, there was strong support for the European Single Electronic Format (“ESEF”), while other formats such as XML and CSV were also popular among respondents. The ESEF currently requires annual financial reports to be prepared in XHTML, and for IFRS consolidated financial statements to be labelled the XBRL ‘tags’, embedded in the XHTML document using the Inline XBRL technology.

¹² The IFRS taxonomy aims to improve communication between preparers and users of financial statements that comply with IFRS’ financial reporting standards. Preparers can use the IFRS taxonomy’s elements to tag required disclosures, making them more easily accessible to users of electronic reports.

II List of Core ESG Metrics

1 Environmental

Topic	Metric	Unit	Framework Alignment	Description
Greenhouse Gas Emissions (“GHG”)	Absolute emissions by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	tCO ₂ e	GRI 305-1, GRI 305-2, GRI 305-3, TCFD, SASB 110, WEF core metrics	Metric tons of carbon dioxide equivalent (tCO ₂ e) of relevant GHG emissions. Report the Total, Scope 1 and Scope 2 GHG emissions and, if appropriate, Scope 3 GHG emissions. GHG emissions should be calculated in line with internationally recognised methodologies (e.g. GHG Protocol).
	Emission intensities by: (a) Total; (b) Scope 1, Scope 2; and (c) Scope 3, if appropriate	tCO ₂ e/organisation-specific metrics	GRI 305-4, TCFD, SASB 110	Emission intensity ratios in GHG emissions (tCO ₂ e) per unit of organisation-specific metrics (e.g. revenue, units of production, floor space, number of employees, number of passengers). This is calculated from the absolute emissions reported. Denominators should be clearly defined and disclosed.
Energy Consumption	Total energy consumption	MWhs or GJ	GRI 302-1, TCFD, SASB 130	Total energy consumption, in megawatt hours or gigajoules (MWhs or GJ), within the organisation.
	Energy consumption intensity	MWhs or GJ/organisation-specific metrics	GRI 302-3, TCFD	Energy intensity ratios in energy consumed (MWhs or GJ) per unit of organisation-specific metrics (e.g. revenue, units of production, floor space, number of employees, number of passengers). This is calculated from the total energy consumption reported. Denominators should be clearly defined and disclosed.
Water Consumption	Total water consumption	ML or m ³	GRI 303-5, SASB 140, TCFD, WEF core metrics	Total water consumption, in megalitres or cubic metres (ML or m ³), across all operations.
	Water consumption intensity	ML or m ³ /organisation-specific metrics	TCFD, SASB IF-RE-140a.1	Water intensity ratios in water consumed (ML or m ³) per unit of organisation-specific metrics (e.g. revenue, units of production, floor space, number of employees, number of passengers). This is calculated from the total water consumption reported. Denominators should be clearly defined and disclosed.
Waste Generation	Total waste generated	t	GRI 306-3, SASB 150, TCFD, WEF expanded metrics	Total weight of waste generated, in metric tons (t), within organisation and where possible, to include relevant information of waste composition (e.g. hazardous vs non-hazardous, recycled vs non-recycled).

2 Social

Topic	Metric	Unit	Framework Alignment	Description
Gender Diversity	Current employees by gender	Percentage (%)	GRI 405-1, SASB 330, WEF core metrics	Percentage of existing employees by gender.
	New hires and turnover by gender	Percentage (%)	GRI 401-1, WEF core metrics	Percentage of new employees hires and employee turnover during the reporting period by gender.
Age-Based Diversity	Current employees by age groups	Percentage (%)	GRI 405-1, WEF core metrics	Percentage of existing employees by age group. GRI's employee age group categories include: (a) under 30 years old, (b) 30-50 years old, and (c) over 50 years old.
	New hires and turnover by age groups	Percentage (%)	GRI 401-1, WEF core metrics	Percentage of new employees hires and employee turnover during the reporting period by age group. GRI's employee age group categories include: (a) under 30 years old, (b) 30-50 years old, and (c) over 50 years old.
Employment	Total turnover	Number and Percentage (%)	GRI 401-1, SASB 310, WEF core metrics	Total number and rate of employee turnover during the reporting period. Scope of reporting (i.e. subsidiaries included or not) should be clearly defined and disclosed.
	Total number of employees	Number	Commonly reported metric by SGX issuers	Total number of employees as at end of reporting period. Scope of reporting (i.e. subsidiaries included or not) should be clearly defined and disclosed.
Development & Training	Average training hours per employee	Hours/No. of employees	GRI 404-1, WEF core metrics	Average training hours per employee during the reporting period (total number of hours of training provided to employees over total number of employees).
	Average training hours per employee by gender	Hours/No. of employees	GRI 404-1, WEF core metrics	Average training hours per employee during the reporting period by gender (total number of hours of training provided to employees in each category over number of employees per category).
Occupational Health & Safety	Fatalities	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore), SASB 320	Number of fatalities as a result of work-related injury during reporting period across the organisation. Scope of report should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
	High-consequence injuries	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore)	Number of high-consequence work-related injuries (injury that results in a fatality from which the worker cannot recover fully to pre-injury health status within 6 months) excluding fatalities during reporting period. Scope of report should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
	Recordable injuries	Number of cases	GRI 403-9, WEF core metrics, MOM (Singapore), SASB 320	Number of recordable work-related injuries during reporting period. Scope of report should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.

	Recordable work-related ill health cases	Number of cases	GRI 403-10, WEF expanded metrics, MOM (Singapore)	Number of recordable work-related illnesses or health conditions arising from exposure to hazards at work during reporting period. Scope of report should include both employees and workers who are not employees but whose work and/or workplace is controlled by the organisation.
--	--	-----------------	---	--

3 Governance

Topic	Metric	Unit	Source	Description
Board Composition	Board independence	Percentage (%)	GRI 102-22, WEF core metrics	The number of independent board directors as a percentage of all directors.
	Women on the board	Percentage (%)	GRI 102-22, GRI 405-1, WEF core metrics	The number of female board directors as a percentage of all directors.
Management Diversity	Women in the management team	Percentage (%)	GRI 102-22, GRI 405-1, WEF core metrics, SASB 330	The number of female senior management as a percentage of senior management. Each organisation defines which employees are part of its senior management team.
Ethical Behaviour	Anti-corruption disclosures	Discussion and number of standards	GRI 205-1, GRI 205-2 and GRI 205-3	Disclosures based on GRI's anti-corruption standards of 205-1, 205-2 and 205-3.
	Anti-corruption training for employees	Number and Percentage (%)	GRI 205-2, WEF core metrics	Number and percentage of employees that received anti-corruption training during reporting period.
Certifications	List of relevant certifications	List	Commonly reported metric by SGX issuers	List all sustainability or ESG related certification (e.g. ISO 45000 family, BCA Green Building, LEED, ENERGY STAR). Each organisation defines which certifications are relevant to be reported.
Alignment with Frameworks	Alignment with frameworks and disclosure practices	GRI/ TCFD/ SASB/ SDGs/ others	SGX-ST Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6; SGX-ST Listing Rules (Catalist) 711A and 711B, Practice Note 7F	The issuer needs to give priority to using globally-recognised frameworks and disclosure practices to guide its sustainability reporting. Where the issuer is applying a portion of a particular framework, the issuer should provide a general description of the extent of the issuer's application of the framework.
Assurance	Assurance of sustainability report	Internal/External/None	SGX-ST Listing Rules (Mainboard) 711A and 711B, Practice Note 7.6; SGX-ST Listing Rules (Catalist) 711A and 711B, Practice Note 7F	Disclose whether sustainability report has undertaken: (a) external independent assurance, (b) internal assurance or (c) no assurance. Provide scope of assurance if organisation has undertaken external or internal assurance.



Future In Reshaping Sustainability Together
sgx.com/first

Singapore Exchange
2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804

main: +65 6236 8888
sgx.com

Singapore | Beijing | Chicago | Hong Kong | London | Mumbai | New York | San Francisco | Shanghai | Tokyo