

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

Name(s)	<p>For CFA Society Singapore:</p> <ol style="list-style-type: none">1. Ajay Kumar Kakarania, CFA2. Hardik Shah, CFA3. Jeffrey Tan, CFA4. Kanol Pal, CFA5. Karen Lee, CFA6. Srishti Gupta, CFA7. Suryanarayanan Balasubramanian, CFA8. Talha Ameer Khan, CFA9. Vu Tien Vy, CFA10. Other contributors who wish to remain anonymous <p>For CFA Institute:</p> <ol style="list-style-type: none">1. Mary Leung, CFA <p>CFA Society Singapore held two virtual roundtable discussions on 15 and 17 September 2021 to gather insight and views from members as well as staff from CFA Institute. CFA Society Singapore also gathered views from its members via online surveys.</p>
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Statement of Interest	

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:

We are of the opinion that there should be sufficient time as per proposed roadmap for issuers to meet the proposed requirements. Furthermore, for all issuers, the baseline reporting practice of ‘comply or explain’ for the financial year commencing 1 January 2022 is not difficult to comply with.

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:

Companies, projects, industries and sectors which account for a high GHG should be prioritised. Disclosure can arguably hasten the transition to lower GHG emission. In prioritising disclosures, there are perhaps two other points we believe should be considered:

- 1) Size of company. Generally, large companies (number of employees, assets and revenue) are in a better position to make climate-related disclosures and to take action compared to small companies
- 2) Scope to reduce GHG. For example, the majority of GHG released would be during flight for an aircraft. The ability for airlines companies to reduce Scope 1 emissions is limited as there is very limited avenue (if any at all) for aircraft modification to lower emissions. Therefore these companies emit large amount of GHG but may not be the best companies to prioritise.

Hence, there should be comments/explanatory notes accompanying the common set of core ESG metrics and in the ESG Data Portal (refer to CFA Society Singapore’s response to Question #1 and #2 of the ‘Starting with a Common Set of Core ESG Metrics’ consultation paper dated 26 August 2021) for asset managers and investors to make meaningful decisions.

(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:

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:

TCFD Recommendations are widely used in global reporting standards which would help in assessment and comparison. In addition, SGX may want to go a little further by considering the 'double materiality' concept where an impact of a company on climate and other dimension of sustainability should also be disclosed.

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:

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:

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:

Assurance is a must. It is needed as asset managers and investors are well aware of the risk of greenwashing.

There are however differing views on whether internal assurance is sufficient. Proponents feel that internal assurance is adequate. Some issuers especially the larger companies have created sustainability committees / teams to look into these issues. Smaller companies may not be in a position to do the same.

Nevertheless, there should be more clarity to how internal assurance is supposed to work. Data published by an issuer should be true and fair – but to what standard would internal assurance be subjected to? More importantly, the question remains if investors are able to draw comfort from internal assurance exercises.

- (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:

In order to provide a greater degree of confidence, internal assurance is deemed too low a bar for comfort for many. External assurance is needed to lower the risk of greenwashing.

As with internal validation, external assurance would increase costs. Proponents of 'only internal validation' point to potentially high fees charged by reputable validation companies.

- (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:

Disclosing if assurance has been conducted will inform asset managers and investors of the degree of confidence in the data.

On a separate note, we wish to clarify if assurance data would be included in the ESG Data Portal mentioned in the 'Starting with a Common Set of Core ESG Metrics' consultation paper dated 26 August 2021.

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:

Accountability requires directors to understand areas which they are held responsible. Hence directors should be well versed with sustainability components.

- (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:

See response in 7(a).

We are also of the opinion that directors need continuous education on sustainability. It should not be a one-time training as the sustainability space is rapidly evolving. Sustainability practices are most well developed in the public equities space followed by fixed income. For private equity, derivatives, real estate, infrastructure and alternative assets, there are at a nascent stage. Continuous education is needed for directors to keep abreast emerging developments.

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:

Both documents provide important information needed to make investment decisions.

(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:

Ideally external assurance reports should be released with annual reports. If that is not feasible, the timeline should be as close as practically possible for the reason cited in response to Question 8(a).

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:

We are of the opinion that diversity would result in better outcomes.

We are also of the opinion that SGX can do the same for gender diversity at the senior management level. Issuers should set and disclose senior management diversity policy including plans, targets and timeline. In addition, there should be an annual review on the progress made in the previous year in achieving these diversity targets at the board and senior management level.

(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:

The gender issue is an area which residents in Singapore are ready to discuss and address.

See also response to Question 9(a) to include the same for senior management level.

(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:

Other exchanges in numerous parts of the world including in this region have targets on gender composition. Singapore should keep pace (or even take the lead with at least minimum 30% gender representation), more so when residents in Singapore are ready to discuss and address gender issues.

See also response to Question 9(a) to include the same for senior management level.

(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:

(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:

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:

We are in agreement of the implementation timeline as we deem the timeline reasonable.

We are also of the opinion that smaller issuers need more assistance, resources and time to comply with the various proposed requirements. If requirements are calibrated, smaller firms would be able to meet the implementation timeline as well.