Consultation Paper

Sustainability Reporting: Enhancing Consistency and Comparability

7 March 2024

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 2 Shenton Way #02-02, SGX Centre 1 Singapore 068804 (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 **5 April 2024**.

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I Introduction

1 Scope

1.1 The Accounting and Corporate Regulatory Authority ("**ACRA**") and SGX RegCo set up the Sustainability Reporting Advisory Committee (“**SRAC**”) in June 2022 to advise on a sustainability reporting roadmap for Singapore-incorporated companies. In July 2023, ACRA and SGX RegCo launched a public consultation (“**SRAC Public Consultation**”) on the recommendations of the SRAC to advance climate reporting in Singapore for both listed issuers and non-listed Singapore companies. The public consultation closed in September 2023.

1.2 On 28 February 2024, ACRA and SGX RegCo published their responses ("**SRAC Response**”) to the SRAC Public Consultation. After careful consideration of the feedback received, the recommendations were accepted, with some refinements. This Consultation Paper proposes changes to the SGX-ST Listing Rules (Mainboard) (“**Mainboard Rules**”) and the SGX-ST Listing Rules (Catalist) (“**Catalist Rules**”, and together with the Mainboard Rules, “**Listing Rules**”), to implement these recommendations.

2 Background

2.1 In 2016, in view of the international advancements in sustainability reporting and the benefits that sustainability reporting bring to both investors and issuers, Singapore Exchange Limited (“**SGX Group**”) introduced requirements to elevate sustainability reporting for issuers from a voluntary to a mandatory basis, with description of the prescribed contents on a ‘comply or explain’ basis.

2.2 SGX Group subsequently introduced a roadmap for issuers to provide climate-related disclosures based on the recommendations of the Task Force on Climate-related Financial Disclosures (“**TCFD**”) in 2021, as follows:

For Financial Year Commencing On or After	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 (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries: climate reporting on a mandatory basis. For other issuers: climate reporting on a ‘comply or explain’ basis.	2024
1 January 2024	For (i) financial, (ii) agriculture, food and forest products, (iii) energy, (iv) materials and buildings, and (v) transportation industries: climate reporting on a mandatory basis. For other issuers: climate reporting on a ‘comply or explain’ basis.	2025

2.3 The requirement for issuers to issue a sustainability report for each financial year is set out in the Listing Rules ("**SR Regime**").[1] The Listing Rules provide that the sustainability report must describe the issuer's sustainability practices with reference to six primary components, namely:

(a) material environmental, social and governance ("**ESG**") factors;

(b) climate-related disclosures consistent with the recommendations of the TCFD;

(c) policies, practices and performance;

(d) targets;

(e) sustainability reporting framework; and

(f) a statement from the board of directors ("**Board**") and associated governance structure for sustainability practices.[2]

2.4 The SR Regime also comprises a sustainability reporting guide which provides guidance to issuers on reporting matters ("**Sustainability Reporting Guide**").[3]

3 Global Developments in Sustainability Reporting

3.1 At the global stocktake during the 28th United Nations Climate Change Conference ("**COP28**"), global leaders stressed that the world is facing an unprecedented challenge due to climate change.[4] While the Paris Agreement has catalysed global climate action, the world is not on track in meeting the Paris Agreement's target to limit global temperature rise to 1.5°C above pre-industrial levels. As such, there is an urgent need for climate action through a comprehensive, multisectoral and transformational approach.

3.2 What gets measured gets managed - climate reporting is an enabler for climate action.[5] Proper sustainability disclosure is important because it builds trust and credibility for investors and other stakeholders. Companies ahead in their sustainability reporting journey could also benefit from the access to new markets, customers and financing to succeed in a low-carbon economy.

3.3 The momentum for sustainability reporting has been building up globally, with the release of the standards issued by the International Sustainability Standards Board ("**ISSB**" and the standards, "**ISSB Standards**") in June 2023, the adoption of the European Sustainability Reporting Standards ("**ESRS**") by the European Commission in July 2023,[6] and the climate disclosure rules by the Securities and Exchange Commission in the United States expected to be finalised in April 2024.[7] Standard setters and regulators are responding to the demand from investors and capital markets for more consistent, comparable and verifiable information on sustainability-related risks and

[1] Rule 711A of the Listing Rules
[2] Rule 711B of the Listing Rules
[3] Practice Note 7.6 of the Mainboard Rules and Practice Note 7F of the Catalist Rules.
[4] COP28, "First Global Stocktake High-level Committee: Summary of High-level events" (December 2023)
[5] World Economic Forum, "What Gets Measured Gets Managed: How Sustainability Reporting Can Help Save The Planet" (January 2021)
[6] European Commission, "The Commission adopts the European Sustainability Reporting Standards" (July 2023)
[7] Office of Information and Regulatory Affairs, U.S. General Services Administration, "Rule RIN 3235-AM87: Climate Change Disclosure" (Fall 2023)

opportunities.[8] Such information is also necessary for issuers in mitigating sustainability-related risks and realising sustainability-related opportunities.

3.4 The mission of the ISSB is to develop a comprehensive global framework of sustainability-related financial disclosures to meet the needs of investors and financial markets. After a public consultation on the exposure drafts, the ISSB Standards, comprising "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information" ("**IFRS S1**") and IFRS S2 Climate-related Disclosures ("**IFRS S2**"), were issued by the ISSB in June 2023 and fully incorporate and are consistent with the TCFD recommendations. The Financial Stability Board ("**FSB**") noted that the ISSB Standards mark the "culmination of the work of the TCFD" [9]. The FSB will work with the ISSB and other relevant bodies to promote the timely and wide use of the standards, with ISSB assuming responsibility from 2024 for monitoring progress on companies' climate-related disclosures, to support adoption of the ISSB Standards.[10]

3.5 The International Organization of Securities Commissions ("**IOSCO**") has endorsed the ISSB Standards in July 2023 and called on its members to consider ways in which they might adopt, apply or otherwise be informed by the ISSB Standards.[11] IOSCO concluded that the ISSB Standards serve as an effective and proportionate global framework of investor-focused disclosures in relation to sustainability-related information. It also concluded that the ISSB Standards are appropriate for the purpose of helping globally integrated financial markets accurately assess relevant sustainability risks and opportunities.

3.6 Globally, the Philippines, Hong Kong and Australia have closed their consultations on mandating climate-related disclosures, taking reference from the ISSB Standards. Philippines is looking to implement submission of sustainability-related disclosures (including climate-related disclosures) for its listed companies for data covering the year 2024, with reporting due the following year or on 2025.[12] Hong Kong intends to mandate climate-related disclosures for its listed issuers based on the ISSB Standards in respect of financial years commencing on or after 1 January 2025.[13] The new climate-related disclosure is proposed to be categorised under the four core pillars of the ISSB Standards, namely, Governance, Strategy, Risk Management and Metrics and Targets. Australia will implement mandatory climate-related disclosures based on the ISSB Standards to its companies by size (in terms of number of employees, consolidated gross assets and consolidated revenue) as opposed to listing status (whether listed or unlisted), with the first set of companies reporting from 2024-2025 onwards.[14]

3.7 The United Kingdom is expected to consult on mandating its version of the ISSB Standards, which will only deviate from the ISSB Standards if absolutely necessary, in the first half of 2024, with a view to bring the requirements into force for listed companies from the accounting periods beginning on or after 1 January 2025.[15] Brazil Securities and Exchange Commission is also expected

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[8] See IFRS, "ISSB issues inaugural global sustainability disclosure standards" (June 2023), European Union, "Executive Summary Sheet: Impact assessment on Proposal for a Revision of the Non-Financial Reporting Directive" (April 2021)

[9] IFRS, "IFRS Foundation welcomes culmination of TCFD work and transfer of TCFD monitoring responsibilities to ISSB from 2024" (July 2023)

[10] FSB, "Progress Report on Climate-related Disclosures" (October 2023)

[11] IOSCO, "IOSCO endorsement of the ISSB Standards for sustainability-related disclosures" (July 2023)

[12] Securities and Exchange Commission Philippines, "Request for Comments on the Draft Memorandum Circular on the Revised Sustainability Reporting Guidelines for Publicly Listed Companies and the SEC Sustainability Reporting Form (SuRe Form)" (October 2023), "Implementation of the Revised Sustainability Reporting Guidelines and Sustainability Report (SuRe) Form" (December 2023)

[13] HKEx, "Consultation Paper on Enhancement of Climate-related Disclosures under the Environmental, Social and Governance Framework" (April 2023), "Update on Consultation on Enhancement of Climate Disclosures under ESG Framework" (November 2023)

[14] Australian Government, The Treasury, "Climate-related financial disclosure: Second consultation" (June 2023), "Climate-related financial disclosure: exposure draft legislation" (January 2024)

[15] UK Financial Conduct Authority, "Primary Market Bulletin 45" (August 2023)

to consult on allowing voluntary disclosure by publicly traded companies in accordance with the ISSB Standards for financial years starting on or after 1 January 2024, moving to mandatory disclosure for financial years beginning on or after 1 January 2026.[16]

3.8 Most recently, in Malaysia, the Advisory Committee on Sustainability Reporting, chaired by the Securities Commission Malaysia, launched its public consultation in February 2024 on the use of ISSB Standards for listed issuers and large non-listed companies.[17]

3.9 Some of the regulations in respect of sustainability reporting may affect companies that are listed on SGX-ST due to their operations in jurisdictions such as the European Union ("**EU**"). For example, non-EU companies that generate over EUR 150 million per year in the EU and that have in EU either a branch with a turnover exceeding EUR 40 million or a subsidiary that is a large company or a listed SME will have to report on sustainability impacts at the group level of that non-EU company from financial year 2028.[18] Even if a company does not fall within such threshold, it may still be impacted by being a part of the value chain of a company mandated to report using the ESRS.

3.10 With the development of multiple standards by different regulatory bodies and standard setters, there have also been developments in the interoperability of the standards. For example, the European Financial Reporting Advisory Group ("**EFRAG**") and the Global Reporting Initiative ("**GRI**") published a joint statement on the high level of interoperability achieved between the ESRS and the GRI standards.[19] In addition, the European Commission, the EFRAG and the ISSB have confirmed a high degree of climate-disclosure alignment between the ESRS and the ISSB Standards.[20] The GRI and the IFRS Foundation have also signed a memorandum of understanding and committed to work together to ensure complementary and interoperable standards;[21] publishing educational material on interoperability considerations on greenhouse gas ("**GHG**") emissions to support issuers using both sets of standards.[22] Issuers using multiple standards can keep themselves updated of the developments in the interoperability of such standards to reduce duplicative work.

3.11 With the growing momentum of sustainability reporting, there have also been capacity building efforts conducted at an international level. The IFRS Foundation launched the Partnership Framework in November 2022 to support capacity building for effective implementation and adoption of sustainability-related disclosure practices.[23] GRI, in partnership with the IFRS Foundation as its convening partner, launched the Sustainability Innovation Lab based in Singapore to enable companies to meet their evolving sustainability disclosure requirements.[24] ISSB launched the ISSB Knowledge Hub at COP28 as a free online resource for preparers to help them understand and get ready to apply the ISSB Standards.[25] The Association of Southeast Asian Nations ("**ASEAN**") Capital Markets Forum has been collaborating with the ISSB to raise awareness of and build capacity on the ISSB Standards, with ASEAN stakeholders as the key priority.[26]

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[16] Brasil Comissão de Valores Mobiliários (CVM), Resolution 193 (October 2023)

[17] Securities Commission Malaysia, "ACSR invites public feedback on proposed use of ISSB Standards in Malaysia" (February 2024)

[18] European Commission, "Questions and Answers on the Adoption of European Sustainability Reporting Standards" (July 2023)

[19] EFRAG, "EFRAG-GRI Joint Statement of Interoperability" (September 2023)

[20] IFRS, "European Commission, EFRAG and ISSB confirm high degree of climate-disclosure alignment" (July 2023)

[21] GRI, "Progress towards a strengthened sustainability reporting system" (June 2023)

[22] GRI, IFRS Foundation Staff Document, Interoperability considerations for GHG emissions when applying GRI Standards and ISSB Standards (January 2024)

[23] IFRS, "Partnership Framework for capacity building" (December 2022)

[24] GRI, "GRI establishes Sustainability Innovation Lab in coordination with the IFRS Foundation" (November 2023)

[25] IFRS, "ISSB at COP28: IFRS Foundation launches knowledge hub in support of global drive to build capacity for the ISSB Standards" (December 2023)

[26] ACMF, "ASEAN securities regulators team up with ISSB to mark global launch of sustainability disclosure standards" (June 2023)

4 Sustainability Reporting Developments in Singapore

4.1 The Singapore Green Plan 2030 (the "**Green Plan**") is a whole-of-nation movement to advance Singapore's national agenda on sustainable development. The Green Plan charts ambitious and concrete targets over the next 10 years and positions Singapore to achieve her long-term net zero emissions aspiration by 2050.[27]

4.2 As part of the Green Plan, the Monetary Authority of Singapore ("**MAS**") launched the MAS' Finance for Net Zero Action Plan ("**FiNZ**") on 20 April 2023. One of the strategic outcomes is to promote consistent, comparable and reliable climate data and disclosures to guide decision making by financial market participants, and safeguard against greenwashing risks. This includes setting out a roadmap for listed companies to make ISSB-aligned disclosures on a risk-proportionate basis.

4.3 To strengthen the banking, asset management and insurance sectors' resilience to and management of environmental risk, MAS issued the Guidelines on Environmental Risk Management ("**ENRM Guidelines**") for the respective sectors in December 2020. The ENRM Guidelines took effect in June 2022.[28] MAS is also setting the roadmap for mandatory climate-related disclosures for financial institutions based on the ISSB Standards.[29] This may result in the demand for further climate-related disclosures by companies seeking financing and insurance.

4.4 As mentioned in paragraph 1.2 of Part I of this Consultation Paper, ACRA and SGX RegCo had accepted the SRAC recommendations with some refinements, after careful consideration of the feedback received.[30] The recommendations call on listed issuers to report climate-related disclosures based on the ISSB Standards from financial year 2025. This is particularly pertinent as climate-related risks may have a material impact on a company's operations and financials.[31]

4.5 Companies and other respondents engaged during the SRAC Public Consultation recognised the urgent need for efforts to combat climate change and acknowledged the demand of consistent, comparable and reliable climate-related disclosures. Various local and international companies engaged during the SRAC Public Consultation highlighted the tangible benefits of early adoption of climate reporting, including (a) cost reductions from managing energy usage, (b) increased access to sustainable funds, (c) better management of physical and transition risks, and (d) a lower cost of capital.

4.6 The Ministry of Trade and Industry, in partnership with SkillsFuture Singapore, has set up a Green Skills Committee to build the training framework and programmes for, among others, sustainability reporting and assurance.[32] Launched by Enterprise Singapore, the Enterprise Sustainability Programme supports Singapore companies, especially small and medium enterprises ("**SMEs**"), to build sustainability capabilities and capture opportunities in their sustainability journey. This will also help to foster a vibrant and conducive sustainability ecosystem, by strengthening the capabilities of listed issuers and equipping SMEs within their supply chains.[33]

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[27] Green Plan, "What Does the Green Plan Seek to Achieve"
[28] MAS, "Information Papers on Environmental Risk Management" (May 2022)
[29] MAS, "Reply to Parliamentary Question on mandatory climate disclosure requirements by financial institutions" (November 2022)
[30] SRAC Response (February 2024)
[31] ACRA, "Financial Reporting Practice Guidance No. 1 of 2023" (November 2023)
[32] Ministry of Trade and Industry and Enterprise Singapore, "MTI COS 2023 - Supporting businesses and workers in our journey to a green economy" (February 2023)
[33] Enterprise Singapore, "Enterprise Sustainability Programme"

5 Sustainability Reporting of SGX-listed Issuers

5.1 SGX RegCo commissioned the National University of Singapore's Centre for Governance and Sustainability ("**CGS**") to review the sustainability reporting performance of issuers. Three reviews were conducted in 2019,[34] 2021[35] and 2023 ("**SR Review 2023**").[36]

5.2 The SR Review 2023 noted that there were improvements in the sustainability reporting performance of issuers using the framework adopted in the previous reviews. Most issuers disclosed their material ESG factors, performance data, targets, the sustainability reporting framework used and the Board statement. 73% of issuers have disclosed climate-related information based on at least one of the 11 TCFD recommendations.

5.3 The results presented in the SR Review 2023 are an encouraging reflection of the maturation of sustainability reporting in Singapore. While there remain areas for improvement, particularly in terms of climate-related disclosures, issuers have stepped up on their sustainability disclosures, which are critical for transparency and accountability, and are increasingly demanded by investors and other stakeholders.

5.4 In view of the developments in sustainability reporting, SGX Group has conducted capacity building efforts to build awareness and skillsets in the ecosystem. Training and resources provided by SGX Group may be found on the website under the 'Sustainability Knowledge Hub' page and the 'Capacity Building and Training' page.[37] Both pages contain reporting resources and information about training that issuers can refer to on past and future capacity building efforts. As of June 2023, there were more than 3,000 attendees of the prescribed director sustainability training. In collaboration with United Nations Sustainable Stock Exchanges initiative, the International Finance Corporation and the IFRS Foundation, SGX Group has also organised a virtual training on the ISSB Standards in November 2023 for listed issuers which was attended by more than 300 participants.

5.5 To facilitate reporting, MAS and SGX Group launched ESGenome in September 2021, a digital disclosure platform designed to support companies in their ESG disclosure process. It enables companies to report metrics aligned with global standards and frameworks. In November 2023, MAS also launched Gprnt, an integrated digital platform that harnesses technology to simplify how the financial sector and real economy collect, access and act upon ESG data to support their sustainability initiatives.[38] Gprnt focuses on addressing the baseline reporting needs of SMEs while ESGenome caters to listed issuers with more complex needs. Both platforms thus serve complementary audience and will provide data interoperability.

5.6 We will continue to conduct capacity building efforts to build awareness and skillsets in the ecosystem. SGX Group intends to work with partners such as the IFRS Foundation, ACRA, Singapore Institute of Directors and GRI to conduct training for directors and preparers of sustainability reports to strengthen their awareness and technical knowledge on sustainability reporting, including, in relation to the ISSB Standards. More details of upcoming capacity building programmes will be released at a later date.

[34] SGX and CGS, "Sustainability Reporting – Progress and Challenges" (2019)
[35] SGX and CGS, "Sustainability Reporting Review 2021" (2021)
[36] SGX and CGS, "Sustainability Reporting Review 2023" (2023)
[37] SGX Group, "Sustainability Knowledge Hub" and "Capacity Building and Training"
[38] MAS, "MAS Launches Digital Platform for Seamless ESG Data Collection and Access" (November 2023)

II Proposed Amendments to Listing Rules

1 Details of Proposals

1.1 As global capital markets demand more consistent, comparable and reliable information about companies' exposure to, and management of, sustainability-related risks and opportunities, we consider it timely to enhance the sustainability reporting regime to align our Listing Rules to international standards.

1.2 We intend to (a) require issuers to report on climate-related disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures; and (b) enhance the SR Regime for reporting on the primary components of a sustainability report from a 'comply or explain' basis to a mandatory basis. To implement the ISSB Standards, suggestions are sought in relation to the reporting timeframe of sustainability reports.

1.3 In this Consultation Paper, SGX RegCo discusses the proposed amendments to the Listing Rules to enhance the SR Regime. The proposed amendments to the Mainboard Rules and the Catalist Rules are set out in Appendix 1 and Appendix 2, respectively.

2 Mandatory Climate-related Disclosures and Implementation of the ISSB Standards

2.1 Climate change presents both risks and creates opportunities for businesses. Businesses that keep track of physical risks (e.g., risks resulting from climate change such as the increasing severity and frequency of storms or heatwaves) and transition risks (e.g., risks resulting from transition to a lower carbon economy such as increased carbon taxes) will be able to manage them better. Climate-related business opportunities are also expected to spur an additional USD 4.3 trillion of revenue in Asia by 2030.[39]

2.2 As described in paragraph 2.2 of Part I of this Consultation Paper, mandatory climate reporting based on the recommendations of the TCFD is being phased in for issuers in certain carbon-intensive industries. By the end of the phased approach, climate reporting will be mandatory for more than half of all issuers listed on SGX-ST. This includes more than half of listed SMEs (with less than S$100 million of annual revenue as of March 2023). As such, the majority of issuers would be familiar with climate reporting.

2.3 Taking a step further to build on the momentum and progress in climate reporting, the SRAC recommendations proposed that all listed issuers report climate-related disclosures on a mandatory basis from the financial year commencing on or after 1 January 2025. The SRAC recommendations also proposed that listed issuers should progress from reporting in accordance with the recommendations of the TCFD to reporting in accordance with the ISSB Standards to the extent practicable.

2.4 As set out in the SRAC Response, there was broad support from issuers on mandatory climate reporting for listed issuers as it is aligned with the goal of addressing climate change and sustainability reporting is key to effective climate action. Although some viewed that climate reporting is only relevant for certain industries or large revenue corporates with more resources, SGX RegCo notes the strong support for mandatory climate reporting and reiterates our view that the urgency of climate change demands that we move ahead with mandatory climate reporting for

[39] World Economic Forum, in collaboration with Boston Consulting Group and SAP, "Accelerating Asia' Advantage: A Guide to Corporate Climate Action – White Paper (April 2023)" (April 2023)

all industries. While there are costs required to track climate data, those in less carbon-intensive industries may find it easier to start climate-related disclosures due to their lower carbon emissions.

2.5 There was also broad support by issuers on the implementation of the ISSB Standards for climate-related disclosures. Both IFRS S1 and IFRS S2 will be implemented in respect of climate-related disclosures, together with all the transition and permanent reliefs contained therein. IFRS S1 contains the conceptual foundations and general requirements for implementing the thematic climate disclosures in IFRS S2. In this regard, the baseline requirement proposed for issuers is to disclose information on climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 insofar as they relate to the disclosure of information on climate-related risks and opportunities.

2.6 Some respondents to the SRAC Public Consultation that agreed with mandatory climate reporting nonetheless raised potential challenges with implementing the ISSB Standards including the interpretation of the ISSB Standards (e.g. proportionality mechanisms and statement of compliance) and the costs and resources in implementation. To facilitate implementation, the ISSB has introduced a package of (permanent) structural reliefs and (temporary) transition reliefs in the ISSB Standards. These reliefs provide issuers with help and more time to implement processes to adhere to the more complex requirements in the standards, especially for issuers with less resources. A summary of these (permanent) structural reliefs is set out in the table below.[40]

	Information limited to what is reasonable, supportable and available without undue cost or effort	Qualitative approaches allowed if entity lacks skills, capabilities or resources
Determination of anticipated financial effects	Yes	Yes
Climate-related scenario analysis	Yes	Yes
Measurement of Scope 3 GHG emissions	Yes	–
Identification of risks and opportunities	Yes	–
Determination of the scope of the value chain	Yes	–
Calculation of metrics in some cross-industry categories	Yes	–

Source: IFRS

2.7 We will proceed to implement the SRAC recommendations to incorporate the ISSB Standards in respect of climate-related disclosures as part of the Listing Rules. Doing so will better-equip issuers to meet the increasing demand for climate-related disclosures from investors, financial institutions, and their supply chains, as well as help to future-proof their businesses by anticipating potential climate-related issues. The sooner issuers measure their climate data, formulate climate strategies and report on them, the sooner they can transform their businesses to succeed in a low-carbon future.[41]

2.8 The IFRS Foundation has published a comparison of IFRS S2 with the TCFD recommendations.[42] Some of the key differences between IFRS S2 and the TCFD recommendations are that IFRS S2 requires more detailed information in the Governance, Strategy and Risk Management pillars. In the Metrics and Targets pilar, there are some additional requirements for disclosure including industry-based metrics, planned use of carbon credits, financed emissions and Scope 3 GHG emissions. As the ISSB Standards build on the TCFD recommendations, issuers that already report

[40] IFRS, "The jurisdictional journey towards implementing IFRS S1 and IFRS S2 – Adoption Guide overview" (July 2023)
[41] PwC, "Are you ready for the ESG revolution?" (June 2021)
[42] IFRS Foundation, "IFRS Foundation publishes comparison of IFRS S2 with the TCFD Recommendations" (July 2023)

based on the TCFD recommendations will be better prepared and have a smoother transition to climate reporting in accordance with the ISSB Standards.

2.9 While we note an alternative suggestion for a 'comply or explain' approach or a phased approach for some of the more difficult requirements (e.g. Scope 3 GHG emissions), we do not propose additional reliefs as the ISSB Standards have catered to varying levels of maturity in climate reporting through (permanent) structural reliefs, as specified in paragraph 2.6 above. For example, while direct measurement of Scope 3 GHG emissions is preferred, the use of estimates of Scope 3 GHG emissions is allowed under the ISSB Standards. Qualitative data as opposed to quantitative data could also be provided in certain circumstances as specified in the ISSB Standards.

2.10 In alignment with the SRAC recommendations, we propose to review the application of the ISSB Standards for disclosure of sustainability-related information beyond climate-related disclosures (e.g. biodiversity, human capital, etc.) a few years later if or when new thematic sustainability standards are released. We will monitor international developments on the adoption of IFRS S1 beyond climate-related disclosures and consider consulting on a phased approach for implementation of IFRS S1. While we note that issuers are already reporting beyond climate-related disclosures, we will also consider further capacity building efforts to equip issuers with the tools to report in accordance with the ISSB Standards. Separate public consultations will be conducted to implement IFRS S1 beyond climate-related disclosures and any such thematic standards, if applicable. In the interim, issuers are encouraged to report in accordance with the ISSB Standards beyond climate-related disclosures on a voluntary basis.

2.11 SGX RegCo further notes that issuers are currently reporting their climate-related disclosures in accordance with the TCFD recommendations. As the ISSB Standards fully incorporate and are consistent with the TCFD recommendations, in the interim period before the Listing Rules are amended to implement the ISSB Standards, issuers are allowed to report their climate-related disclosures in accordance with the TCFD recommendations, the ISSB Standards as applicable for climate-related disclosures or both.

2.12 SGX RegCo notes that certain aspects of the ISSB Standards are, to an extent, already encapsulated within the SR Regime. In light of the proposal to require issuers to provide climate-related disclosures in accordance with the ISSB Standards, SGX RegCo also intends to make the following key amendments and enhancements to incorporate the ISSB Standards in the SR Regime:

(a) the section of balanced reporting in the Sustainability Reporting Guide, as set out in Practice Note 7.6 of the Mainboard Rules and Practice Note 7F of the Catalist Rules, will be aligned with the ISSB Standards;

(b) while SGX RegCo will not prescribe that the ISSB Standards are to be used for sustainability-related disclosures beyond climate-related disclosures at this stage, issuers are encouraged to do so as the ISSB Standards were developed as a comprehensive global framework of sustainability-related financial disclosures;

(c) the section on 'climate-related disclosures' in the Sustainability Reporting Guide will be amended to encompass the following key changes:

(i) issuers should refer to both IFRS S1 and IFRS S2 in preparing its climate-related disclosures, including any (permanent) structural and (temporary) transition reliefs contained therein;

(ii) issuers should refer to the application guidance and accompanying guidance issued by the ISSB;

(iii) issuers should disclose Scope 1, Scope 2 and Scope 3 GHG emissions and the approach used to measure such GHG emissions;

(iv) issuers should disclose industry-based metrics and cross-industry metric categories; and

(v) for climate-related disclosures, an issuer may only make reference to other reports published by the same entity (and not the sustainability reports of its operating subsidiaries), in alignment with the ISSB Standards; and

(d) in relation to internal review, if an issuer has reviewed that certain or all key aspects of the sustainability report has been externally assured, the issuer can determine that no further internal review on such aspects of the sustainability report is required under a risk-based approach. As the International Standards for the Professional Practice of Internal Auditing has been replaced by the Global Internal Audit Standards released in January 2024, we will also update the reference to the applicable standards.

2.13 As with sustainability reporting, SGX RegCo recognises that climate reporting is a journey for many issuers. To cater for the different levels of reporting maturity and to allow issuers to progressively improve upon their disclosures, an example of how issuers could report in accordance with the ISSB Standards over a three-year period is suggested (but not mandated) in the Sustainability Reporting Guide. As the ISSB Standards are still relatively new, issuers can consider using the implementation approach as a guide on how to use the proportionality measures that are in-built into the ISSB Standards.

2.14 In addition, SGX RegCo notes concerns about making a statement that the climate-related disclosures are in compliance with the ISSB Standards as applicable for climate-related disclosures in the initial years of adopting the ISSB Standards.[43] Some issuers early in the journey of climate reporting may not be subjecting their climate-related disclosures to external assurance and may not be confident in making this statement. In this regard, we suggest that in the initial years of preparing climate-related disclosures in accordance with the ISSB Standards, an issuer may describe in its disclosures that the climate-related disclosures are prepared with reference to the ISSB Standards as applicable for climate-related disclosures. In preparing these disclosures, an issuer is expected to adhere to all requirements in the ISSB Standards as applicable for climate-related disclosures. It is proposed that an issuer will only be required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards as applicable for climate-related disclosures in its sustainability report from the financial year commencing on or after 1 January 2027.

2.15 SGX RegCo notes concerns about enforcement. For example, some expressed concerns about unintentional inaccuracies in forward-looking statements and sanctions in relation to unintentional inaccuracies in climate reporting. There was general disagreement that sanctions of climate reporting should be placed on equal footing with financial reporting at this juncture. In this regard, SGX RegCo expects issuers to take effort to understand and implement the ISSB Standards for climate-related disclosures. Where the information is deemed to be relevant, issuers should disclose the inputs, approaches, assumptions, estimations and judgements used, especially in relation to forward-looking statements, climate-related transition plans (if any) and Scope 3 GHG emissions. This will allow investors to assess the quality of the information. It is expected that issuers will take time to improve the quality of their disclosures. As SGX RegCo understands that issuers may face challenges in navigating the new reporting requirements, SGX RegCo will take into consideration the entirety of the circumstances, including the challenges faced by an issuer and the issuer’s efforts in meeting the reporting requirements.

[43] Paragraph 72 of IFRS S1

Question 1: Amendments to Align with ISSB Standards

(a) Do you agree with the proposed amendments to the Listing Rules and the Sustainability Reporting Guide (as detailed in paragraphs 2.7 and 2.12) to incorporate the ISSB Standards in the SR Regime?

(b) Do you agree that an issuer is only required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards as applicable for climate-related disclosures in its sustainability report from the financial year commencing on or after 1 January 2027? Do you agree that in the interim, an issuer should describe in its disclosures that its climate-related disclosures are prepared with reference to the ISSB Standards?

3 Primary Components: 'Comply or Explain' Basis to Mandatory Basis

3.1 The primary components of a sustainability report are required to be reported on a 'comply or explain' basis to allow issuers time to adapt sustainability disclosures given that sustainability reporting was relatively new. If an issuer does not include any primary component of the sustainability report, it must state what it does instead and the reasons for doing so. With maturity in reporting since 2017, we are proposing to enhance the requirement to report on the primary components of a sustainability report from a 'comply or explain' basis to a mandatory basis.

3.2 A mandatory regime for certain specified components of a sustainability report is also aligned with the practices in various jurisdictions:

(a) Indonesia: Mandatory disclosure of specified information in a sustainability report including sustainable strategies, summary of sustainability efforts, sustainable governance and sustainable performance;[44]

(b) Japan: All listed companies in Japan are mandatorily required to disclose sustainability-related information using the TCFD pillars (Governance, Strategy, Risk Management and Metrics and Targets);[45]

(c) Malaysia: The listing requirements mandate issuers to include a common set of prescribed sustainability matters and indicators that are deemed material for all listed issuers and climate change-related disclosures that are aligned with the TCFD recommendations;[46] and

(d) Thailand: Sustainability reporting is mandated on listed issuers using the Form 56-1 One Report.[47]

3.3 In addition, as mentioned above, the results presented in the SR Review 2023 are an encouraging reflection of the evolution of sustainability reporting in Singapore. Issuers are now familiar with the SR Regime, and we consider it timely to evolve the SR Regime from a 'comply or explain' basis to a mandatory basis to reflect the improvements in reporting. The incremental effort by issuers would not be significant given that they would have previously considered the primary components even

[44] Asia Business Law Journal, "A regional comparison of ESG regulations: Indonesia" (August 2023)
[45] EY, "What's next for Japanese sustainability disclosures standards" (August 2023)
[46] Bursa Malaysia, "Bursa Malaysia Enhances Sustainability Reporting Framework with New Climate Change Reporting" (September 2022)
[47] The Securities and Exchange Commission, Thailand, "SEC prepares listed companies for disclosure of annual registration statement via Form 56-1 One Report" (February 2021)

under the existing 'comply or explain' regime. Under the mandatory regime, issuers will still be able to tailor their sustainability disclosures to their own circumstances, for example by choosing the ESG factors most material to them and to set their own targets.

Question 2: Primary Components: 'Comply or Explain' Basis to Mandatory Basis

Do you agree that the SR Regime for reporting on the primary components of a sustainability report should be enhanced from a 'comply or explain' basis to a mandatory basis?

4 Reporting Timeframe

4.1 Issuers are required to issue their sustainability reports on an annual basis.[48] The SR Regime provides an issuer with the option of either issuing its sustainability report for its financial year, no later than four months after the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, no later than five months after the end of the financial year.[49] The five-month period was intended to give issuers more time to prepare their sustainability reports as they obtain external assurance over their sustainability reports.

4.2 The issuance of sustainability reports at the same time as the annual reports, particularly where the ESG factors have been identified to be material, allows the sustainability reports to be read in conjunction with issuers' financial information. This would help investors to make informed investment decisions. IFRS S1 has a general requirement for an entity to report its sustainability-related financial disclosures at the same time as its related financial statements. In addition, the sustainability-related financial disclosures shall cover the same reporting period as the related financial statements.[50]

4.3 In alignment with the ISSB Standards, the SRAC recommended issuers to include climate-related disclosures in a separate report or as part of the annual report. If the climate-related disclosures are included in a separate report, both reports must be published at the same time. A large majority of respondents supported this recommendation. By allowing the flexibility to include climate-related disclosures in a separate report or as part of the annual report, issuers can tailor their reporting practices to their specific circumstances and stakeholders' needs.

4.4 The ISSB Standards have granted a one-year (temporary) transition relief of this requirement, which we propose to adopt to give issuers more time to adapt to the new timeline. As such, this requirement to issue the sustainability report at the same time as the annual report will only be effective from the financial year commencing on or after 1 January 2026, one year later than the requirement to provide climate-related disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures. The existing timeline to issue sustainability reports as detailed in paragraph 4.1 above will remain, including for the financial year commencing in 2025.

4.5 SGX RegCo notes the challenges in preparing climate-related disclosures at the same time as financial statements, especially when the climate-related disclosures are externally assured. In this regard, the ISSB Standards provide for the use of estimates, including assumptions, approximations, and judgements an issuer has made in measuring amounts in sustainability reports provided adequate disclosures around estimations are given. In the initial years, an issuer can use such estimates but should progress to improve the accuracy of data over time.

4.6 To give additional time for newly listed issuers, we are also proposing that their first sustainability

[48] Rule 711A of the Listing Rules
[49] Practice Note 7.6 of the Mainboard Rules and Practice Note 7F of the Catalist Rules
[50] Paragraph 64 of IFRS S1

report issued would be in respect of their first full financial year after listing. The timeline to issue the sustainability report would be that prevailing for that financial year. For example, an issuer with a December financial year end that listed its equity securities on SGX-ST in October 2024 would need to issue its first sustainability report by April 2026.

Question 3: Reporting Timeframe

Do you agree that the sustainability report should be issued together with the annual report from the financial year commencing on or after 1 January 2026? Do you agree that the first sustainability report for a newly listed issuer should be in respect of its first full financial year after listing?

III Other Updates

1 Digital Reporting

1.1 SRAC had also recommended that climate-related disclosures be filed in a digital structured format to facilitate the consumption of data.

1.2 Since the SRAC Public Consultation, ISSB has closed its consultation on the Proposed IFRS Sustainability Disclosure Taxonomy.[51] A common digital taxonomy will facilitate the digital reporting of climate-related disclosures, which will improve the accessibility and comparability of sustainability information for capital markets. ISSB aims to issue the final digital taxonomy in the second quarter of 2024.[52]

1.3 As these are new developments, we do not currently propose to mandate digital filing of climate-related disclosures. As the climate-related disclosures may need to be filed with different regulators in the future, SGX Group will continue to work with the relevant regulators to streamline the processes of filing such disclosures.

2 External Assurance

2.1 SRAC had also recommended imposing external limited assurance on Scope 1 and Scope 2 GHG emissions for issuers from the financial year commencing on or after 1 January 2027. The SRAC Public Consultation also consulted on the qualifications of external assurance providers (firms and individuals) and the external assurance standard to be used.

2.2 Since the SRAC Public Consultation, the International Auditing and Assurance Standards Board ("**IAASB**") has released the proposed International Standard on Sustainability Assurance ("**ISSA**") 5000, *General Requirements for Sustainability Assurance Engagements*, to serve as a comprehensive, stand-alone standard suitable for any sustainability assurance engagements.[53] The IAASB is targeting to give the final approval of the ISSA 5000 by September 2024.[54]

2.3 Following the issuance of the SRAC Response, the implementation details for certain recommendations (e.g. assurance standards, registration criteria for climate auditors and details of bridging courses) are still being finalised as these will require observation of ongoing international

[51] IFRS, "ISSB consults on proposed digital taxonomy to improve global accessibility and comparability of sustainability information" (July 2023)
[52] IFRS, "IFRS Taxonomy Consultative Group (ITCG) Meeting Staff paper – Agenda reference: 7A" (February 2024)
[53] IAASB, "Understanding International Standard on Sustainability Assurance 5000"
[54] IAASB, "Sustainability Assurance"

developments and deeper engagement with the industry. A consultation will also be conducted on the relevant amendments to be made to the Companies Act.

2.4 In view of the above developments, we do not currently propose to mandate external assurance, but will review the developments at a future date.

3 Transition Plans

3.1 Transition plans are used by entities to set out their targets, actions or resources for its transition towards a lower-carbon economy, including actions that they may take in reducing GHG emissions. IFRS S2 requires an entity to disclose its climate-related transition plan if it has any.[55] This will help investors assess the effects of climate-related risks and opportunities on an entity's cash flows, access to finance and cost of capital.[56]

3.2 Various organisations and regulators have provided guidance on reporting on climate transition plans. For example, CDP has issued a technical note to provide guidance on how companies disclosing through CDP can demonstrate that they have a credible climate transition plan in place.[57] CDP's 2024 questionnaire is also aligned with IFRS S2.

3.3 SGX RegCo had issued a regulator's column on developing and executing a credible climate transition plan in September 2023.[58] In the column, we highlighted that companies with robust transition plans that are well disclosed will stand a better chance of maintaining access to capital markets, including benefitting from green and transition finance.

3.4 MAS had issued a set of consultation papers proposing guidelines on transition planning by banks, insurers and asset managers in October 2023. The guidelines set out MAS' supervisory expectations for financial institutions to have a sound transition planning process to enable effective climate change mitigation and adaptation by their customers and investee companies in the global transition to a net zero economy.[59] We understand that MAS is reviewing the responses to the consultation.

3.5 While not currently proposed to be mandated under the Listing Rules, issuers are encouraged to consider formulating transition plans to harness green and transition opportunities. We will continue to monitor international developments on and local adoption of transition plan-related disclosures before making any rule proposals.

[55] Paragraph 14(a)(iv) of IFRS S2
[56] BC46, Basis of Conclusions on IFRS S2 Climate-related Disclosures (June 2023)
[57] CDP, "Climate Transition Plans"
[58] SGX Group, "Regulator's Column: Developing and executing a credible climate transition plan" (September 2023)
[59] MAS, "MAS Guidelines for Financial Institutions on Transition Planning for a Net Zero Economy" (October 2023)

Appendix 1 Proposed Amendments to Mainboard Rules

Legend: Deletions are struck-through and insertions are underlined.

Amendments proposed to be effective from 1 January 2025, unless otherwise indicated.

Part III Equity Securities — Periodic Reports

Sustainability Report

711A

An issuer must issue a sustainability report <u>to shareholders and the Exchange</u> for its financial year~~, no later than 4 months after the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, no later than 5 months after the end of the financial year~~ <u>at the same time as the issuance of its annual report to shareholders and the Exchange</u>.

[To be effective from 1 January 2026]

711B

(1) The sustainability report must describe the sustainability practices with reference to the following primary components:

(a) material environmental, social and governance factors;

(aa) climate-related disclosures~~ consistent with the recommendations of the Task Force on Climate-related Financial Disclosures~~;

(b) policies, practices and performance;

(c) targets;

(d) sustainability reporting framework; and

(e) Board statement and associated governance structure for sustainability practices.

(2) ~~If the issuer excludes any primary component, it must disclose such exclusion and describe what it does instead, with reasons for doing so. An issuer in any of the industries identified in Practice Note 7.6 may not exclude the primary component in Rule 711B(1)(aa).~~ <u>[Deleted]</u>

(3) The issuer's sustainability reporting process must be subject to internal review. The issuer may additionally commission an independent external assurance on the sustainability report.

<u>(4)</u> <u>The primary component in Rule 711B(1)(aa) must be prepared in accordance with the ISSB Standards as applicable for climate-related disclosures comprising "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information" and "IFRS S2 Climate-related Disclosures", or their Singapore-equivalent.</u>

Practice Note 7.6 Sustainability Reporting Guide

1. Introduction

1.1 Listing Rule 711A requires every issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in

Listing Rule 711B ~~on a 'comply or explain' basis (other than as required under Listing Rule 711B(2))~~. This Practice Note contains the Sustainability Reporting Guide (the "**Guide**"), which provides guidance on the expected structure and contents and the preparation of the sustainability report.

1.2 Sustainability reporting disclosure does not detract from the issuer's obligation to disclose any information that is necessary to avoid the establishment of a false market in the issuer's securities or would be likely to materially affect the price or value of its securities pursuant to Listing Rule 703.

1.3 A glossary of the common terms used in the Guide is set out in paragraph 8 of this Guide.

2. Policy Statement on Sustainability Reporting

2.1 Issuers make regular financial reports to their investors that are used for assessment of the likelihood of repayment (in the case of debt securities) and the returns on investment (in the case of equity securities). ~~Increasingly, investors are demanding that issuers also disclose sustainability information.~~

~~2.2 Reflecting these expectations, financial reports increasingly need to be supplemented by descriptive and quantitative information on how business is conducted and the sustainability of the current business into the future.~~

~~2.3~~ 2.2 The ~~SGX believes that the~~ addition of sustainability reporting to financial reporting provides a more comprehensive picture of the issuer: statements of financial position and comprehensive income provide a snapshot of the present and an account of the past year, while sustainability reports of environmental, social and governance ("**ESG**") factors show the risks and opportunities within sight, managed for future returns. Taken together, the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects, the sustainability of the current business into the future and quality of management.

~~2.4~~ 2.3 To achieve the additional transparency which encourages efficiency and innovation, SGX-ST requires each issuer to publish an annual sustainability report, describing the primary components ~~on a 'comply or explain' basis, and in relation to the primary component in Listing Rule 711B(1)(aa) where the issuer is in any of the industries identified in paragraph 4.9 of this Guide, on a mandatory basis,~~ in accordance with the Listing Rules. This Guide provides guidance to the issuer on compliance with the requirements under the Listing Rules.

3. Principles

Board responsibility

3.1 The Code states as its preamble that sustainability, together with accountability and transparency, is a tenet of good governance. It provides that the Board is collectively responsible for the long-term success of the issuer, and the Board's role includes setting strategic objectives which should include appropriate focus on sustainability. The Board has ultimate responsibility for the issuer's sustainability reporting. Consistent with its role, the Board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed. Management has responsibility to ensure that the ESG factors are monitored on an ongoing basis and properly managed. The Board's close interaction with management will enable the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. If any question is raised regarding the issuer's sustainability reporting, the Board and management should make sure it is addressed.

~~**'Comply or explain'**~~

3.2 ~~Each issuer is required to prepare an annual sustainability report. The sustainability report must include the primary components as set out in Listing Rule 711B on a 'comply or explain' basis (other~~

~~than as required under Listing Rule 711B(2)). Where the issuer cannot report on any primary component, the issuer must state so and explain what it does instead and the reasons for doing so. As set out in Listing Rule 711B(2), an issuer in any of the industries identified in paragraph 4.9 of this Guide may not exclude the primary component in Listing Rule 711B(1)(aa).~~ [Deleted]

Report risks as well as opportunities

3.3 In identifying material ESG factors, the issuer should consider both risks and opportunities. In addition, it is conceptually sound, and validated by experience, that risks well-managed represent strengths which can be applied to fulfill opportunities. The risks and opportunities within sight have direct bearing on strategies and operations and should be reported for clearer understanding of the issuer's performance, prospects and management quality. To facilitate understanding, issuers should give the whole explanation in a concise manner.

Balanced reporting

3.4 In reporting on sustainability, care should be taken to give ~~an accurate and balanced~~ a complete, neutral and accurate view. A complete set of disclosures shall present fairly all ESG factors that could reasonably be expected to affect an entity's prospects. There may be a tendency to give more prominence to what is favourable and understate what is negative. Both situations require comprehensive explanations. In reporting performance, factors beyond the issuer's control are as relevant to exceeding the target as to a performance shortfall. In the event of underperformance, the issuer's response is also important and should be included to bring about confidence in its longer term sustainability objectives.

Global standards and comparability

3.5 The issuer needs to give priority to using globally-recognised frameworks and disclosure practices to guide its reporting. ~~The recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") have gained widespread acceptance in international markets as a common framework to disclose climate-related financial information.~~ The increasingly borderless markets for funds as well as for goods and services mean that corporate reporting standards tend to gravitate toward global best practice. Added to this is the international character of SGX-ST both in terms of issuers as well as investors. The individual issuer should take care that its disclosure efforts not be considered inadequate by stakeholders. The ISSB Standards were developed to support a global framework of investor-focused disclosures on sustainability-related financial information and has received widespread support globally, including from the G20 and the Financial Stability Board. The International Organization of Securities Commissions has also endorsed the ISSB Standards in July 2023. Issuers must report on climate-related disclosures, and are encouraged to report on other sustainability-related disclosures beyond climate-related disclosures, in accordance with the ISSB Standards. 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.

Stakeholder engagement

3.6 The issuer's responsibility on disclosure, including annual reports and sustainability reports, is first and foremost to current and potential shareholders, i.e. the investing public. Interaction of the issuer with its other stakeholders is also of interest to investors for its relevance to sustainability across the value chain of the issuer. The views of stakeholders also contribute to inform the issuer's identification of material ESG factors. On a continuing basis, regular and sustained engagement with stakeholders provides the issuer with an up-to-date picture of its sustainability within both its business and physical environments. The material outcomes of such engagement should be included in the sustainability report.

4. Contents of Sustainability Reporting

Primary components

4.1 The sustainability report should comprise the following primary components:

(a) **Material ESG factors.** The sustainability report should identify the material ESG factors, and describe both the reasons for and the process of selection, taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders.

(b) **Climate-related disclosures.** The sustainability report should contain disclosures related to climate-related risks and opportunities~~, consistent with the TCFD recommendations~~.

(c) **Policies, practices and performance.** The sustainability report should set out the issuer's policies, practices and performance in relation to the material ESG factors identified, providing descriptive and quantitative information on each of the identified material ESG factors for the reporting period. Performance should be described in the context of previously disclosed targets.

(d) **Targets.** The sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified. Targets should be considered for defined short, medium and long term horizons, and if not consistent with those used for strategic planning and financial reporting, the reasons for the inconsistency should be disclosed.

(e) **Sustainability reporting framework.** The issuer should select a sustainability reporting framework (or frameworks) to guide its reporting and disclosure. For climate-related disclosures, the issuer should report in accordance with the ISSB Standards as applicable for climate-related disclosures~~ based on the TCFD recommendations~~. The issuer is also encouraged to report in accordance with the ISSB Standards beyond climate-related disclosures. The sustainability reporting framework(s) selected should be appropriate for and suited to its industry and business model. The issuer should state the name of the framework(s), explain its reasons for choosing the framework(s) and provide a general description of the extent of the issuer's application of the framework(s).

(f) **Board statement.** The sustainability report should contain a statement of the Board that it has considered sustainability issues in the issuer’s business and strategy, determined the material ESG factors and overseen the management and monitoring of the material ESG factors. In addition, the sustainability report should describe the roles of the Board and the management in the governance of sustainability issues.

Identification of material ESG factors

4.2 The issuer should review its business in the context of the value chain and determine what ESG factors in relation to its interaction with its physical environment and social community and its governance, are material for the continuity of its business. The issuer is expected to report the criteria and process by which it has made its selection with reference to how these factors contribute to the creation of value for the issuer.

4.3 In broad terms, environmental factors would include materials, energy, biodiversity, water, greenhouse gas (“**GHG**”) emissions, effluents and waste as well as environmental complaint mechanisms. Social factors would include health and safety, employment practices and labour rights such as collective bargaining, product responsibility, anti-corruption, supplier assessments and impact of direct and supply chain activities on local communities. The framework chosen is likely to have additional factors that the issuer would report on.

4.4 Corruption is a factor on which many investors require reassurance, whether inducement is being offered to employees or by employees to others. Where corruption has been addressed in the Corporate Governance report, the issuer may refer to that report. If corruption is not assessed to be a material ESG factor by the issuer, where stakeholders express sufficient interest in the information, the issuer is advised to state its policy and safeguards on its website.

4.5 Gender, skills and experience have been highlighted as diversity indicators material to business sustainability. Diversity greatly enhances the issuer's capacity for breadth of input and perspectives into decision making, risk alertness and responsiveness to change. The issuer should be aware of this trend and assess whether diversity is a material social factor in its business. It should engage stakeholders in assessing the necessity of reporting on this matter. In satisfying investors and other stakeholders, diversity should be examined through broad levels of staff and also importantly, in the Board. Where other sections of the annual report sufficiently address stakeholders' interest in diversity, the issuer may refer to those sections.

4.6 The issuer should consider not just its internal circle of operations but also widen that circle to include persons and processes in the value chain that contribute to the issuer's product or service. Parts of the business outsourced to third parties (for example, freight and logistics), as well as downstream processes (for example, product defect response), constitute an integral part of the issuer's business and need to be included in the sustainability report.

Climate-related disclosures

4.7 Climate change threatens to disrupt businesses in a precipitous and potentially devastating manner, with consequential detrimental effects on their stakeholders and providers of capital. Conversely, it also opens up new markets for solutions that respond to the threat. Investors need to properly understand the climate-related risks and opportunities of their portfolio in order to price or value their investments.

4.8 Securities markets promote the ready availability of decision-useful information so that it may be reflected in the price discovery process. In doing so, exchanges facilitate the allocation of capital to its most efficient use and the transfer of risks to those most willing to bear them.

4.9 The issuer should provide climate-related disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures. As a transitional measure for the financial years commencing on or after 1 January 2025 and on or after 1 January 2026, the issuer will (a) be allowed to describe in its disclosures that its climate-related disclosures are prepared with reference to the ISSB Standards as applicable for climate-related disclosures and (b) not be required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards. The issuer will be required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards as applicable for climate-related disclosures from the financial year commencing on or after 1 January 2027. The ISSB Standards build on the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). It aims to be a comprehensive global framework of sustainability-related financial disclosures to meet the needs of capital markets and to serve the demand for more consistent, comparable and verifiable information about the exposure to, and management of, sustainability-related risks and opportunities.~~, consistent with the TCFD recommendations. An issuer in any of the following industries identified by the TCFD as most affected by climate change and the transition to a lower-carbon economy will be prioritised to provide mandatory climate-related disclosures, consistent with the TCFD recommendations:~~

[Table to be deleted]

~~4.10 Climate-related risks and opportunities are likely to impact the issuer's future financial position and performance, as reflected in its income statement, cash flow statement and balance sheet. The TCFD sets out recommendations to help organisations disclose climate-related financial information that~~

~~would be useful to investors, lenders and insurance underwriters. More broadly, this information may also be of interest to other stakeholders.~~

~~**Figure 1: Climate-related risks, opportunities, and financial impact**~~ ***[Figure to be deleted]***

~~*Source: TCFD*~~

4.10 ~~4.11~~ The core content of the ISSB Standards is structured in alignment with the ~~TCFD developed recommended disclosures across~~ four pillars of the TCFD recommendations: governance, strategy, risk management, and metrics and targets, in relation to climate-related risks and opportunities. Climate-related risks are associated with both physical risks (such as those arising from weather-related events like storms, floods or heatwaves and longer-term shifts in climatic patterns like sea level rise) and transition risks (arising from efforts to transition to a lower-carbon economy and may include policy, technological and reputational risks).

4.11 IFRS S1 sets out the general requirements for disclosure of sustainability-related financial information including the conceptual foundations, core content, general requirements and judgements, uncertainties and errors. IFRS S2 sets out supplementary requirements that relate specifically to climate-related risks and opportunities. The baseline requirement for issuers is to disclose information on climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 insofar as they relate to the disclosure of information on climate-related risks and opportunities. Therefore, in applying IFRS S1 for climate-related disclosures, an issuer should particularly refer to the conceptual foundations, general requirements, judgements and uncertainties and errors specified therein. Key concepts such as connected information, value chains, assessment of materiality and key requirements such as the reporting entity and timing and location of reporting are set out in IFRS S1. For example, materiality of information is judged in relation to whether omitting, misstating or obscuring the information could reasonably be expected to influence decisions of primary users of general purpose financial reports. In the core content of IFRS S1, there are also specific paragraphs which will be relevant for the issuer including the elaboration of short-, medium- and long-term time horizons, trade-offs between sustainability-related risks and opportunities that an issuer considered and the objective of sustainability-related financial disclosures on risk management to enable users of general purpose financial report to assess an issuer's overall risk profile and its overall risk management process. ~~The recommended disclosures provide an explanation on the requisite disclosures to fulfil the requirements of the four pillars.~~

~~**Figure 2: TCFD recommendations and supporting recommended disclosures**~~ ***[Figure to be deleted]***

~~*Source: TCFD*~~

~~4.12 The TCFD recommendations are consistent with the requirements in the Listing Rules and this Guide. A mapping table is set out below:~~ ***[Table to be deleted]***

4.12 ~~4.13~~ The ISSB ~~TCFD~~ has issued application guidance, which form an integral part of the ISSB Standards, on, among others, the following topics:

(a) identifying sustainability-related risks and opportunities and disclosing material information about such risks and opportunities;

(b) applying scenario analysis to assess climate resilience;

(c) measuring GHG emissions, including Scope 3 GHG emissions;

(d) disclosing information relevant to the cross-industry metric categories; and

(e) disclosing information about the climate-related targets that have been set or is required to meet by law or regulation.

4.13 In addition, the ISSB has also issued accompanying guidance containing illustrative guidance and illustrative examples to support companies in applying the ISSB Standards on, among others, the following topics:

(a) guidance on metrics that could be disclosed as part of information relevant to the cross-industry metric categories;

(b) examples of disclosing GHG emissions applying the principles in IFRS S1 for aggregation and disaggregation; and

(c) industry-based guidance on identifying appropriate disclosures about climate-related risks and opportunities that are associated with common business models and activities in a particular industry.

~~both general and sector-specific guidance, as well as additional supporting materials, 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. The additional supporting materials provide guidance on specific topics intended to help address identified challenges in the preparer's implementation of key components of the TCFD recommendations, such as on scenario analysis, and metrics and targets. The Sustainable Stock Exchanges initiative has also developed a checklist in its model guidance ("**SSE Model Guidance**") on the implementation of the TCFD recommendations. The issuer is encouraged to refer to the TCFD's supplemental guidance and additional supporting materials to guide its disclosure consistent with the TCFD recommendations, and use the checklist in the SSE Model Guidance to determine whether the information recommended for disclosure by the TCFD are contained in its sustainability report.~~

4.14 The ISSB has sought to achieve a balance between the costs for companies in applying the requirements and ensuring investors are provided with consistent, comparable and verifiable information. It introduced a package of (permanent) structural reliefs and (temporary) transition reliefs in the ISSB Standards.

4.15 As part of the (permanent) structural reliefs, an issuer is allowed to:

(a) consider its skills, capabilities and resources when determining its approach:

(i) for its climate-related scenario analysis; and

(ii) in preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity; and

(b) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort in:

(i) identifying climate-related risks and opportunities;

(ii) preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity;

(iii) determining its approach, and selecting the inputs, for its climate-related scenario analysis;

(iv) determining the scope of the value chain;

(v) calculation of amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities; and

(v) measuring Scope 3 GHG emissions.

4.16 As part of the (temporary) transition reliefs, an issuer (including newly-listed issuers) need not do the following in the first year of reporting:

(a) provide its Scope 3 GHG emissions;

(b) use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (2004) if it was previously using a different method; and

(c) provide comparative information in respect of the preceding period.

4.17 IFRS S2 requires disclosure of an issuer's Scope 1 GHG emissions, Scope 2 GHG emissions and Scope 3 GHG emissions, and the approach used to measure GHG emissions. Emissions must be measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (2004), subject to the reliefs specified above and to the extent that it does not conflict with the ISSB Standards. An issuer must consider the 15 categories of Scope 3 GHG emissions, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011), with information being disclosed when applicable, and provide disaggregated information about its Scope 3 GHG emissions when material.

4.18 The ISSB has also developed a Scope 3 measurement framework to provide additional guidance about measuring Scope 3 GHG emissions. While direct measurement and primary data is preferred, an issuer may still estimate Scope 3 GHG emissions based on assumptions and appropriate inputs and use secondary data under such framework. Primary data includes data provided by suppliers or other entities in the value chain from specific activities within an entity's value chain, while secondary data is not directly obtained. Secondary data is typically supplied by third-party providers and includes industry-average data. ~~TCFD recommends disclosure of the issuer's Scope 1 and Scope 2, and if appropriate, Scope 3 GHG emissions. An internationally accepted GHG accounting system, such as the GHG Protocol should be used to measure the GHG emissions. These disclosures should include the methodologies and emission factors used. For industries with high energy consumption, it may also be important to provide emission intensity per unit of economic output (for example, unit of production or revenue).~~

4.19 ~~4.15~~ IFRS S2 requires all issuers to use climate-related scenario analysis to inform their disclosures about their resilience to climate change. IFRS S2 contains application guidance on how an issuer is required to determine the method of scenario analysis to assess its climate resilience. ~~TCFD also recommends conducting scenario analysis to identify and effectively assess the potential implications of a range of plausible future conditions due to the uncertainty of climate-related changes. Conducting scenario analysis is not an exercise in forecasts, predictions or sensitivity analyses, but rather in evaluating resilience to different possible future scenarios.~~ To reduce the risks and impacts of climate change, almost all countries have agreed to take action in limiting global warming to well below 2°C above pre-industrial levels, while pursuing efforts to arrest the increase to 1.5°C above pre-industrial levels. The issuer should describe how resilient its strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant, scenarios consistent with increased physical climate-related risks.

4.20 ~~4.16~~ An issuer new to scenario analysis can consider starting with qualitative scenario narratives to explore the potential range of implications. As it gains more experience, it can consider using quantitative information to describe the potential outcomes, and to enhance the rigour of that analysis.

4.21 ~~4.17~~ The Sustainable Stock Exchanges initiative has also developed a checklist in its model guidance on climate disclosure ("SSE Model Guidance on Climate Disclosure"). The SSE Model Guidance on Climate Disclosure sets out a simplified three stage process to the conduct of scenario analysis. First, the issuer should identify appropriate scenarios that align with its underlying assumptions and the key risks and opportunities of its sector or industry, and clearly explain the scenarios used. Second, the issuer may set boundaries of its scenario analysis with sufficient disclosure of the reasons for exclusion and inclusion. A smaller issuer may feel that an analysis of the direct operations sufficiently covers the climate-related risks and opportunities within each scenario, while a larger issuer and those in the financial sector should expand their analysis beyond their direct operations to include indirect GHG emissions (i.e. Scope 3 GHG emissions). Third, an issuer should evaluate its physical and transitional risks within the scenarios chosen. Mapping the severity and likelihood of the risks enables the issuer to develop a strategic plan for future scenarios. Additional guidance on scenario analysis as required by IFRS S2 has also been provided in the model guidance on sustainability-related financial disclosures issued by the Sustainable Stock Exchanges initiative in 2024.

4.22 IFRS S2 requires an issuer to disclose industry-based metrics that are associated with common business models and activities in a particular industry and cross-industry metric categories including:

(a) climate-related transition risks – the amount and percentage of assets or business activities vulnerable to transition risks;

(b) climate-related physical risks – the amount and percentage of assets or business activities vulnerable to physical risks;

(c) capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities; and

(d) internal carbon prices used to assess the cost of emissions.

4.23 The industry-based guidance can assist issuers in meeting the requirements for disclosures related to cross-industry metric categories. In addition, an issuer shall refer to and consider the applicability of its full set of relevant industry-based guidance to present fairly the climate-related risks and opportunities to which it is exposed.

Materiality

4.24 ~~4.18~~ As guidance, 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. The omission or misstatement of these risks or opportunities could influence the decisions of investors. The sustainability reporting framework selected by the issuer may also contain a definition of materiality that the issuer should consider. For example, for climate-related disclosures, in accordance with the ISSB Standards, materiality of information is judged in relation to whether omitting, misstating or obscuring the information could reasonably be expected to influence decisions of primary users of general purpose financial reports. This would require consideration of the characteristics of those users and of the issuer's own circumstances.

4.25 ~~4.19~~ Generally, what is material in sustainability reporting would also be considered material in financial terms, if not in the immediate period, then over time.

4.26 ~~4.20~~ In assessing materiality of the ESG factors on which it reports, the issuer should first satisfy itself of the relevance of selected factors to its business strategy and outcomes. This has the benefit of focusing both executives and employees on uniform key risks and opportunities that deliver (or impede) desired outcomes.

4.27 ~~4.21~~ The issuer should use risk ranking and prioritisation to distil the material ESG factors. This process is similar to the widely-practised Enterprise Risk Management ("**ERM**") process. The issuer should expand the breadth of the assessment to integrate ESG risk management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.

4.28 ~~4.22~~ The Board should determine the material ESG factors and the issuer's response to the attendant risks and opportunities. Discussion with stakeholders contributes to an accurate appreciation of what is important in the business on an ongoing basis.

Possible process and tools

4.29 ~~4.23~~ A possible process for assessing ESG factors with material relevance to the business and business model are set out in the following paragraphs.

4.30 ~~4.24~~ In assessing materiality of the ESG factors on which it reports, the issuer may consider:

(a) Value drivers

(b) Stakeholder engagement

(c) Risk management

(d) External factors, for example sector, geography, economics, market, social, environment

(e) Internal factors, for example business model, business cycle, strategy

(f) Qualitative perspectives, for example operational, strategic, reputational and regulatory

(g) Timeframe of these considerations

4.31 ~~4.25~~ The issuer may use the following Materiality Determination Process: Identify — Rate — Prioritise — Validate. The issuer should disclose the outcomes of this process in its sustainability report.

(a) STEP 1: IDENTIFY. The issuer should identify the most pressing (material) factors (impact/opportunities) for the issuer (or for each subsidiary in the group). It will also help formulate management's approach and response, and identify where data collection needs to be strengthened.

(b) STEP 2: RATE. Once the issues of the issuer and its subsidiaries have been explored, the issuer will need to cluster similar issues e.g. safety and health issues can be clustered together. If the issuer is a holding company, a rating process can be done to assess what issues are pervasive/most common across the group.

(c) STEP 3: PRIORITISE. Once the issues of the issuer and its subsidiaries have been clustered and rated, the issuer will need to prioritise them using a matrix based on likelihood and impact.

(d) STEP 4: VALIDATE. Once the issuer has prioritised its factors, they need to be internally validated and signed off by ~~leadership~~ the Board.

Policies, practices and performance

4.32 ~~4.26~~ The issuer should devise policies and processes to adequately and effectively manage the risks associated with the identified material ESG factors, and describe key features of mitigation.

4.33 ~~4.27~~ A description of the ESG practices and performance across historical and the current reporting periods allows investors and the issuer itself to track its progress. These metrics also form the baseline from which the issuer chooses to set its targets, as informed by its strategic plan and financial reporting.

4.34 ~~4.28~~ An effective policy and operational response to sustainability risks and opportunities requires performance measurement and its linkage to performance incentives. Having a good performance measurement system allows the issuer to benchmark performance against stated objectives and facilitates comparison over time and across entities. Clearly linking sustainability risks and opportunities with strategy, other organisational risks, operational indicators, performance measures and performance incentives not only enhances understanding but provides an engine for improvement, innovation and accountability.

4.35 ~~4.29~~ A clear description of the issuer’s substantive response to ESG risks and opportunities, with a focus on its policies, practices and performance against targets, will bolster investors’ confidence in the Board and management.

Sustainability reporting framework

4.36 ~~4.30~~ The issuer should select a sustainability reporting framework which is appropriate for and suited to its industry and business model, and explain its choice. In doing so, the issuer should place importance on using a globally-recognised framework for its wider acceptance in an increasingly global marketplace. The issuer can be more easily understood and compared with its peers in Singapore as well as in other jurisdictions across the world. The issuer should exercise considerable caution if it chooses to deviate from generally-accepted frameworks.

4.37 ~~4.31~~ Among the well-known and globally-recognised sustainability reporting frameworks, the Global Reporting Initiative (“**GRI**”) Sustainability Reporting Guidelines set out generic sustainability factors and general principles and indicators that an issuer can use to report sustainability policies, practices, performance and targets. The ~~International Integrated Reporting Council's (“**IIRC**”)~~ Integrated Reporting Framework (“**<IR>**”) also sets out a general framework for reporting. An issuer using <IR> should consider ESG factors when determining their material factors for inclusion in the integrated report. The issuer may also consider referring to the Sustainability Accounting Standards Board's (“**SASB**”) standards which adopt an industry-specific approach to material ESG factors. ~~IIRC and SASB have merged to form the Value Reporting Foundation.~~ More than one sustainability reporting framework may be chosen as relevant to the issuer's business.

4.38 ~~4.32~~ For climate-related disclosures, the issuer ~~should~~ must provide such disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures. As a transitional measure for the financial years commencing on or after 1 January 2025 and on or after 1 January 2026, the issuer will be allowed to describe in its disclosures that its climate-related disclosures are prepared with reference to the ISSB Standards as applicable for climate-related disclosures. The issuer is also encouraged to report in accordance with the ISSB Standards for sustainability-related disclosures beyond climate-related disclosures. ~~consistent with the TCFD recommendations.~~ Some issuers have used the Science Based Targets initiative or other sector-specific guidance to guide their GHG emissions reduction targets.

4.39 ~~4.33~~ The issuer is expected to follow the chosen framework(s) from year to year and build up its knowledge and understanding of how to report effectively. In turn, it can expect to be building up investors’ and stakeholders’ understanding, leading to increased confidence. In the absence of regulatory changes, only major changes in business strategy and/or model are likely to require change in sustainability reporting framework. This does not preclude examination of framework relevance from time to time.

Time horizons used in the sustainability report

<u>4.40</u> ~~4.34~~ In making its sustainability report, the issuer should consider whether it would be useful to report matters for their relevance in the short, medium and long term. Accordingly, sustainability policies, practices, performance and targets would be considered along the same time horizons. The time horizons should be internally consistent with those used for strategic planning and financial reporting (e.g. useful life of assets, impairment testing etc.). Where they are not consistent, the reasons for the inconsistency should be disclosed. Typically the short-term is considered less than one year for banking and financial instruments. For the medium term, the issuer may wish to take reference from their typical planning horizon, investment cycle or plant renewal or other considerations relevant to its business. The long-term should be a useful time horizon over which expectations can be formed and efforts planned.

Stakeholder engagement

<u>4.41</u> ~~4.35~~ Stakeholder engagement is integral to any business and would be conducted regularly. The issuer should consider ESG factors in their engagement with stakeholders, not just with investors, but also customers, staff, suppliers, regulators, local communities and others in the value chain. The issuer should monitor carefully its communication with stakeholders so as to avoid any information asymmetry as it may lead to unfair trading in the securities market.

Group and investment holding company reporting

<u>4.42</u> ~~4.36~~ <u>Subject to paragraph 4.43 below, where</u> ~~Where~~ holding companies and operating subsidiaries are both listed and have to undertake sustainability reporting, the operating entities can report on the ESG factors within their scope of operations. If the ESG factors are also material to the holding company, the holding company may make reference in its sustainability report to the sustainability reports of the operating subsidiaries. If the holding company has material investee companies which are not subsidiaries, its sustainability report should include the selection and management of these investee companies.

<u>4.43</u> <u>IFRS S1 requires an issuer to provide disclosures required by the ISSB Standards as part of its general purpose financial reports. For climate-related disclosures, an issuer may only make reference to other reports published by the same entity (and not the sustainability reports of its operating subsidiaries).</u>

5. Internal Reviews and External Assurance

5.1 Internal reviews and external assurance increase stakeholder confidence in the accuracy and reliability of the sustainability information disclosed.

5.2 These procedures over sustainability disclosures should be aligned with the issuer's existing internal review or external assurance frameworks for other management information, such as financial information or production data.

5.3 An internal review of the sustainability reporting process builds on the issuer's existing governance structure, buttressed by adequate and effective internal controls and risk management systems. The internal audit function conducts the internal review, and may involve relevant functions, such as risk management, sustainability or other specialist functions. The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report; the review may take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, as approved by the Audit Committee. The expectations of the Board, management and other stakeholders should be considered as part of the prioritisation. The internal review should be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (or any subsequent standard including the Global Internal Audit Standards replacing such standards) issued by The Institute of Internal Auditors. If the issuer has reviewed that certain or all key aspects of the sustainability report has been externally assured, the issuer can determine that no further internal review on such aspects of the sustainability report is required under a risk-based approach.

5.4 An issuer whose sustainability reporting has already matured after several annual exercises would want to undertake external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken. The issuer is encouraged to consider independent external assurance on selected important aspects of its sustainability report even in its initial years, expanding coverage in succeeding years.

5.5 External assurance involves the engagement of a third party. The scope of the assurance may include a materiality assessment, and cover different aspects of the sustainability disclosures, for example:

(a) data and its associated data collection process;

(b) narratives;

(c) compliance with the specified sustainability reporting framework;

(d) process to identify sustainability information reported; and

(e) compliance with the Listing Rules.

5.6 External assurance should be performed in accordance with recognised assurance standards, for example the International Standard on Assurance Engagements (ISAE) 3000 (or any subsequent sustainability-specific standard including the International Standard on Sustainability Assurance (ISSA) 5000), the ISAE 3410, the Singapore Standards on Assurance Engagement (SSAE) 3000 (or any subsequent sustainability-specific standard including the Singapore equivalent of the ISSA 5000), the SSAE 3410, the AA 1000 Assurance Standards or the ISO.

5.7 An issuer that has conducted external assurance should disclose, in the sustainability report, that external assurance has been conducted, including the scope covered, the identity of the external assurer, the standards used, the level of assurance obtained and key findings.

6. Form and Frequency of Sustainability Reporting

6.1 The issuer should report on sustainability at least once a year. The issuer's sustainability disclosure may be done in its annual report. The inclusion of sustainability risks and opportunities with the businesses' other risks and strategy in the same document presents advantages to the user. Sustainability reports contained within annual reports would observe annual report deadlines. Alternatively, if more appropriate for the circumstances of the issuer, the issuer may include a summary in its annual report and issue a full standalone sustainability report at the same time as the issuance of its annual report to shareholders and the Exchange ~~within 4 months of the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, within 5 months of the end of the financial year~~.

[To be effective from 1 January 2026]

6.2 In either case, the issuer should make available its sustainability reports on SGXNet and on its company website. After a few years of sustainability reporting, the issuer may wish to maintain static information, such as, policies and historical sustainability information, on its website while presenting the current year's changes as well as performance in the annual sustainability report.

6.3 To provide sufficient time for preparation, ~~an issuer in its first year of reporting may report within 12 months of the end of its financial year.~~ a newly listed issuer may issue its first sustainability report only in respect of its first full financial year after listing.

7. Implementation of Sustainability Reporting ~~Phased Approach~~

7.1 For the first year of sustainability reporting, ~~the~~ an issuer new to sustainability reporting should have at least the assessment of material ESG factors, policies and/or practices to address the factors; but if their reporting is lacking in qualitative or quantitative descriptions, they need only state progressive targets for reaching maturity of reporting and do their best to meet them in subsequent years. ~~Compliance with the TCFD recommendations may also take place progressively.~~

7.2 An example of ~~a phased implementation approach~~ how issuers could report over a few years is illustrated in the table below:

Illustration of Possible ~~Phased Approach~~ Implementation Approach

Primary Components	Adoption		
	Year 1	**Year 2**	**Year 3**
Material ESG factors	Addressed most critical factors	Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material	Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material
	Material ESG factors would be dependent on current business strategy, market conditions, stakeholder concerns etc., therefore the number of material ESG factors may vary year-on-year.		

Climate-related disclosures ~~consistent with the TCFD recommendations~~	Described climate-related disclosures with reference to the core content in the ISSB Standards as applicable for climate-related disclosures of Governance, Strategy, Risk Management and Metrics and Targets Disclosure of reliance on the (temporary) transition reliefs of (a) not providing Scope 3 GHG emissions, (b) not using the Greenhouse Gas Protocol and (c) not providing comparative information in respect of the preceding period Limited disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities* Qualitative climate-related scenario analysis, with disclosure of reliance on the (permanent) structural reliefs*# Qualitative disclosure of current financial effects of climate-related risks or opportunities as the effects are not separately identifiable or the level of measurement uncertainty is high Qualitative disclosure of anticipated financial effects of climate-related risks or opportunities, with	~~Metrics used for assessment~~ ~~Impacts in more quantitative terms~~ Disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities* After considering all 15 categories of Scope 3 GHG emissions, disclose applicable categories of Scope 3 GHG emissions in its value chain by using data not obtained directly from activities within the value chain, e.g. industry-average data (secondary data) Comparative information in respect of the preceding period Use the greenhouse gas protocol to calculate its GHG emissions ~~Targets in qualitative terms~~ ~~Conducted qualitative scenario analysis~~	~~Impacts in more quantitative terms~~ Climate-related scenario ~~Scenario~~ analysis with more quantitative outcomes ~~Targets in quantitative terms~~ Disclose applicable categories of Scope 3 GHG emissions using more data obtained directly from activities within the value chain, e.g. data from suppliers (primary data) More quantitative disclosures of anticipated financial effects of climate-related risks or opportunities Statement of compliance with the ISSB Standards as applicable for climate-related disclosures

Primary Components	Adoption		
	Year 1	**Year 2**	**Year 3**
	disclosure of reliance on the (permanent) structural reliefs*# Determined the scope of its value chain, including its breadth and composition, with disclosure of reliance on the (permanent) structural reliefs* ~~Described the governance structures, including Board oversight and management’s role~~ ~~Identified the climate-related risks and opportunities~~ ~~Described the processes for identifying and managing climate-related risks~~ ~~Impacts in qualitative terms~~ ~~Scope 1 and Scope 2 GHG emissions~~		
	** Using all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort* *# Considering the issuer’s skills, capabilities and resources*		

Primary Components	Adoption		
	Year 1	Year 2	Year 3
Policies, practices and performance	Minimal description of how issuer manages material factors No previous targets for comparison of performance One metric per factor Plans for improved reporting in future	Description includes specific policies, practices per material factor More quantitative metrics and qualitative description per factor Comparison against previously disclosed qualitative commitments and targets with explanation of overachievement and shortfall	Description includes specific policies, practices per material factor Qualitative and quantitative description per factor Comparison against previously disclosed targets and commitments with explanation of overachievement and shortfall
Targets	Qualitative commitments if no quantitative targets	Short and long term qualitative targets and some quantitative targets	Short and long term qualitative and quantitative targets Include peer/sector benchmarks Targets linked to management performance incentives
Sustainability reporting framework	GRI ~~TCFD~~ ISSB Standards	GRI ~~TCFD~~ ISSB Standards	GRI ~~TCFD~~ ISSB Standards
Board statement and associated governance structure for sustainability practices	Complied	Complied	Complied

8. Glossary

ESG factors	Environmental, social and governance factors that affects the issuer's performance and prospects. Also referred to as sustainability issues, or sustainability risks and opportunities. Does not mean philanthropy or other charitable activities.
Sustainability reporting	The publication of information on material ESG factors in a comprehensive and strategic manner.

Materiality	In relation to ESG factors, the most important ESG risks and opportunities that will act as barriers or enablers to achieving business goals in short, medium and long term. The omission or misstatement of these risks or opportunities could influence the decisions of investors.

Appendix 2 Proposed Amendments to Catalist Rules

Legend: Deletions are struck-through and insertions are underlined.

Amendments proposed to be effective from 1 January 2025, unless otherwise indicated.

Part III Equity Securities — Periodic Reports

Sustainability Report

711A

An issuer must issue a sustainability report <u>to shareholders and the Exchange </u>for its financial year~~, no later than 4 months after the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, no later than 5 months after the end of the financial year~~ <u>at the same time as the issuance of its annual report to shareholders and the Exchange</u>.

[To be effective from 1 January 2026]

711B

(1) The sustainability report must describe the sustainability practices with reference to the following primary components:

(a) material environmental, social and governance factors;

(aa) climate-related disclosures~~ consistent with the recommendations of the Task Force on Climate-related Financial Disclosures~~;

(b) policies, practices and performance;

(c) targets;

(d) sustainability reporting framework; and

(e) Board statement and associated governance structure for sustainability practices.

(2) ~~If the issuer excludes any primary component, it must disclose such exclusion and describe what it does instead, with reasons for doing so. An issuer in any of the industries identified in Practice Note 7F may not exclude the primary component in Rule 711B(1)(aa). ~~<u>[Deleted]</u>

(3) The issuer's sustainability reporting process must be subject to internal review. The issuer may additionally commission an independent external assurance on the sustainability report.

<u>(4)</u> <u>The primary component in Rule 711B(1)(aa) must be prepared in accordance with the ISSB Standards as applicable for climate-related disclosures comprising "IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information" and "IFRS S2 Climate-related Disclosures", or their Singapore-equivalent.</u>

Practice Note 7F Sustainability Reporting Guide

1. Introduction

1.1 Listing Rule 711A requires every issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in

Listing Rule 711B ~~on a 'comply or explain' basis (other than as required under Listing Rule 711B(2))~~. This Practice Note contains the Sustainability Reporting Guide (the "**Guide**"), which provides guidance on the expected structure and contents and the preparation of the sustainability report.

1.2 Sustainability reporting disclosure does not detract from the issuer's obligation to disclose any information that is necessary to avoid the establishment of a false market in the issuer's securities or would be likely to materially affect the price or value of its securities pursuant to Listing Rule 703.

1.3 A glossary of the common terms used in the Guide is set out in paragraph 8 of this Guide.

2. Policy Statement on Sustainability Reporting

2.1 Issuers make regular financial reports to their investors that are used for assessment of the likelihood of repayment (in the case of debt securities) and the returns on investment (in the case of equity securities). ~~Increasingly, investors are demanding that issuers also disclose sustainability information.~~

~~2.2 Reflecting these expectations, financial reports increasingly need to be supplemented by descriptive and quantitative information on how business is conducted and the sustainability of the current business into the future.~~

~~2.3~~ 2.2 The ~~SGX believes that the~~ addition of sustainability reporting to financial reporting provides a more comprehensive picture of the issuer: statements of financial position and comprehensive income provide a snapshot of the present and an account of the past year, while sustainability reports of environmental, social and governance ("**ESG**") factors show the risks and opportunities within sight, managed for future returns. Taken together, the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects, the sustainability of the current business into the future and quality of management.

~~2.4~~ 2.3 To achieve the additional transparency which encourages efficiency and innovation, SGX-ST requires each issuer to publish an annual sustainability report, describing the primary components ~~on a 'comply or explain' basis, and in relation to the primary component in Listing Rule 711B(1)(aa) where the issuer is in any of the industries identified in paragraph 4.9 of this Guide, on a mandatory basis,~~ in accordance with the Listing Rules. This Guide provides guidance to the issuer on compliance with the requirements under the Listing Rules.

3. Principles

Board responsibility

3.1 The Code states as its preamble that sustainability, together with accountability and transparency, is a tenet of good governance. It provides that the Board is collectively responsible for the long-term success of the issuer, and the Board's role includes setting strategic objectives which should include appropriate focus on sustainability. The Board has ultimate responsibility for the issuer's sustainability reporting. Consistent with its role, the Board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed. Management has responsibility to ensure that the ESG factors are monitored on an ongoing basis and properly managed. The Board's close interaction with management will enable the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. If any question is raised regarding the issuer's sustainability reporting, the Board and management should make sure it is addressed.

~~**'Comply or explain'**~~

3.2 ~~Each issuer is required to prepare an annual sustainability report. The sustainability report must include the primary components as set out in Listing Rule 711B on a 'comply or explain' basis (other~~

~~than as required under Listing Rule 711B(2)). Where the issuer cannot report on any primary component, the issuer must state so and explain what it does instead and the reasons for doing so. As set out in Listing Rule 711B(2), an issuer in any of the industries identified in paragraph 4.9 of this Guide may not exclude the primary component in Listing Rule 711B(1)(aa).~~ [Deleted]

Report risks as well as opportunities

3.3 In identifying material ESG factors, the issuer should consider both risks and opportunities. In addition, it is conceptually sound, and validated by experience, that risks well-managed represent strengths which can be applied to fulfill opportunities. The risks and opportunities within sight have direct bearing on strategies and operations and should be reported for clearer understanding of the issuer's performance, prospects and management quality. To facilitate understanding, issuers should give the whole explanation in a concise manner.

Balanced reporting

3.4 In reporting on sustainability, care should be taken to give ~~an accurate and balanced~~ a complete, neutral and accurate view. A complete set of disclosures shall present fairly all ESG factors that could reasonably be expected to affect an entity's prospects. There may be a tendency to give more prominence to what is favourable and understate what is negative. Both situations require comprehensive explanations. In reporting performance, factors beyond the issuer's control are as relevant to exceeding the target as to a performance shortfall. In the event of underperformance, the issuer's response is also important and should be included to bring about confidence in its longer term sustainability objectives.

Global standards and comparability

3.5 The issuer needs to give priority to using globally-recognised frameworks and disclosure practices to guide its reporting. ~~The recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**") have gained widespread acceptance in international markets as a common framework to disclose climate-related financial information.~~ The increasingly borderless markets for funds as well as for goods and services mean that corporate reporting standards tend to gravitate toward global best practice. Added to this is the international character of SGX-ST both in terms of issuers as well as investors. The individual issuer should take care that its disclosure efforts not be considered inadequate by stakeholders. The ISSB Standards were developed to support a global framework of investor-focused disclosures on sustainability-related financial information and has received widespread support globally, including from the G20 and the Financial Stability Board. The International Organization of Securities Commissions has also endorsed the ISSB Standards in July 2023. Issuers must report on climate-related disclosures, and are encouraged to report on other sustainability-related disclosures beyond climate-related disclosures, in accordance with the ISSB Standards. 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.

Stakeholder engagement

3.6 The issuer's responsibility on disclosure, including annual reports and sustainability reports, is first and foremost to current and potential shareholders, i.e. the investing public. Interaction of the issuer with its other stakeholders is also of interest to investors for its relevance to sustainability across the value chain of the issuer. The views of stakeholders also contribute to inform the issuer's identification of material ESG factors. On a continuing basis, regular and sustained engagement with stakeholders provides the issuer with an up-to-date picture of its sustainability within both its business and physical environments. The material outcomes of such engagement should be included in the sustainability report.

4. Contents of Sustainability Reporting

Primary components

4.1 The sustainability report should comprise the following primary components:

(a) **Material ESG factors.** The sustainability report should identify the material ESG factors, and describe both the reasons for and the process of selection, taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders.

(b) **Climate-related disclosures.** The sustainability report should contain disclosures related to climate-related risks and opportunities~~, consistent with the TCFD recommendations~~.

(c) **Policies, practices and performance.** The sustainability report should set out the issuer's policies, practices and performance in relation to the material ESG factors identified, providing descriptive and quantitative information on each of the identified material ESG factors for the reporting period. Performance should be described in the context of previously disclosed targets.

(d) **Targets.** The sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified. Targets should be considered for defined short, medium and long term horizons, and if not consistent with those used for strategic planning and financial reporting, the reasons for the inconsistency should be disclosed.

(e) **Sustainability reporting framework.** The issuer should select a sustainability reporting framework (or frameworks) to guide its reporting and disclosure. For climate-related disclosures, the issuer should report in accordance with the ISSB Standards as applicable for climate-related disclosures~~ based on the TCFD recommendations~~. The issuer is also encouraged to report in accordance with the ISSB Standards beyond climate-related disclosures. The sustainability reporting framework(s) selected should be appropriate for and suited to its industry and business model. The issuer should state the name of the framework(s), explain its reasons for choosing the framework(s) and provide a general description of the extent of the issuer's application of the framework(s).

(f) **Board statement.** The sustainability report should contain a statement of the Board that it has considered sustainability issues in the issuer's business and strategy, determined the material ESG factors and overseen the management and monitoring of the material ESG factors. In addition, the sustainability report should describe the roles of the Board and the management in the governance of sustainability issues.

Identification of material ESG factors

4.2 The issuer should review its business in the context of the value chain and determine what ESG factors in relation to its interaction with its physical environment and social community and its governance, are material for the continuity of its business. The issuer is expected to report the criteria and process by which it has made its selection with reference to how these factors contribute to the creation of value for the issuer.

4.3 In broad terms, environmental factors would include materials, energy, biodiversity, water, greenhouse gas ("**GHG**") emissions, effluents and waste as well as environmental complaint mechanisms. Social factors would include health and safety, employment practices and labour rights such as collective bargaining, product responsibility, anti-corruption, supplier assessments and impact of direct and supply chain activities on local communities. The framework chosen is likely to have additional factors that the issuer would report on.

4.4 Corruption is a factor on which many investors require reassurance, whether inducement is being offered to employees or by employees to others. Where corruption has been addressed in the Corporate Governance report, the issuer may refer to that report. If corruption is not assessed to be a material ESG factor by the issuer, where stakeholders express sufficient interest in the information, the issuer is advised to state its policy and safeguards on its website.

4.5 Gender, skills and experience have been highlighted as diversity indicators material to business sustainability. Diversity greatly enhances the issuer's capacity for breadth of input and perspectives into decision making, risk alertness and responsiveness to change. The issuer should be aware of this trend and assess whether diversity is a material social factor in its business. It should engage stakeholders in assessing the necessity of reporting on this matter. In satisfying investors and other stakeholders, diversity should be examined through broad levels of staff and also importantly, in the Board. Where other sections of the annual report sufficiently address stakeholders' interest in diversity, the issuer may refer to those sections.

4.6 The issuer should consider not just its internal circle of operations but also widen that circle to include persons and processes in the value chain that contribute to the issuer's product or service. Parts of the business outsourced to third parties (for example, freight and logistics), as well as downstream processes (for example, product defect response), constitute an integral part of the issuer's business and need to be included in the sustainability report.

Climate-related disclosures

4.7 Climate change threatens to disrupt businesses in a precipitous and potentially devastating manner, with consequential detrimental effects on their stakeholders and providers of capital. Conversely, it also opens up new markets for solutions that respond to the threat. Investors need to properly understand the climate-related risks and opportunities of their portfolio in order to price or value their investments.

4.8 Securities markets promote the ready availability of decision-useful information so that it may be reflected in the price discovery process. In doing so, exchanges facilitate the allocation of capital to its most efficient use and the transfer of risks to those most willing to bear them.

4.9 The issuer should provide climate-related disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures. As a transitional measure for the financial years commencing on or after 1 January 2025 and on or after 1 January 2026, the issuer will (a) be allowed to describe in its disclosures that its climate-related disclosures are prepared with reference to the ISSB Standards as applicable for climate-related disclosures and (b) not be required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards. The issuer will be required to make a statement that its climate-related disclosures are in compliance with the ISSB Standards as applicable for climate-related disclosures from the financial year commencing on or after 1 January 2027. The ISSB Standards build on the recommendations of the Task Force on Climate-related Financial Disclosures ("**TCFD**"). It aims to be a comprehensive global framework of sustainability-related financial disclosures to meet the needs of capital markets and to serve the demand for more consistent, comparable and verifiable information about the exposure to, and management of, sustainability-related risks and opportunities.~~, consistent with the TCFD recommendations. An issuer in any of the following industries identified by the TCFD as most affected by climate change and the transition to a lower-carbon economy will be prioritised to provide mandatory climate-related disclosures, consistent with the TCFD recommendations:~~

[Table to be deleted]

~~4.10 Climate-related risks and opportunities are likely to impact the issuer's future financial position and performance, as reflected in its income statement, cash flow statement and balance sheet. The TCFD sets out recommendations to help organisations disclose climate-related financial information that~~

~~would be useful to investors, lenders and insurance underwriters. More broadly, this information may also be of interest to other stakeholders.~~

~~Figure 1: Climate-related risks, opportunities, and financial impact~~ ***[Figure to be deleted]***

~~Source: TCFD~~

4.10 ~~4.11~~ The core content of the ISSB Standards is structured in alignment with the ~~TCFD developed recommended disclosures across~~ four pillars of the TCFD recommendations: governance, strategy, risk management, and metrics and targets, in relation to climate-related risks and opportunities. Climate-related risks are associated with both physical risks (such as those arising from weather-related events like storms, floods or heatwaves and longer-term shifts in climatic patterns like sea level rise) and transition risks (arising from efforts to transition to a lower-carbon economy and may include policy, technological and reputational risks).

4.11 IFRS S1 sets out the general requirements for disclosure of sustainability-related financial information including the conceptual foundations, core content, general requirements and judgements, uncertainties and errors. IFRS S2 sets out supplementary requirements that relate specifically to climate-related risks and opportunities. The baseline requirement for issuers is to disclose information on climate-related risks and opportunities (in accordance with IFRS S2) and consequently apply the requirements in IFRS S1 insofar as they relate to the disclosure of information on climate-related risks and opportunities. Therefore, in applying IFRS S1 for climate-related disclosures, an issuer should particularly refer to the conceptual foundations, general requirements, judgements and uncertainties and errors specified therein. Key concepts such as connected information, value chains, assessment of materiality and key requirements such as the reporting entity and timing and location of reporting are set out in IFRS S1. For example, materiality of information is judged in relation to whether omitting, misstating or obscuring the information could reasonably be expected to influence decisions of primary users of general purpose financial reports. In the core content of IFRS S1, there are also specific paragraphs which will be relevant for the issuer including the elaboration of short-, medium- and long-term time horizons, trade-offs between sustainability-related risks and opportunities that an issuer considered and the objective of sustainability-related financial disclosures on risk management to enable users of general purpose financial report to assess an issuer's overall risk profile and its overall risk management process. ~~The recommended disclosures provide an explanation on the requisite disclosures to fulfil the requirements of the four pillars.~~

~~Figure 2: TCFD recommendations and supporting recommended disclosures~~ ***[Figure to be deleted]***

~~Source: TCFD~~

~~4.12~~ ~~The TCFD recommendations are consistent with the requirements in the Listing Rules and this Guide. A mapping table is set out below:~~ ***[Table to be deleted]***

4.12 ~~4.13~~ The ISSB ~~TCFD~~ has issued application guidance, which form an integral part of the ISSB Standards, on, among others, the following topics:

(a) identifying sustainability-related risks and opportunities and disclosing material information about such risks and opportunities;

(b) applying scenario analysis to assess climate resilience;

(c) measuring GHG emissions, including Scope 3 GHG emissions;

(d) disclosing information relevant to the cross-industry metric categories; and

(e) disclosing information about the climate-related targets that have been set or is required to meet by law or regulation.

4.13 In addition, the ISSB has also issued accompanying guidance containing illustrative guidance and illustrative examples to support companies in applying the ISSB Standards on, among others, the following topics:

(a) guidance on metrics that could be disclosed as part of information relevant to the cross-industry metric categories;

(b) examples of disclosing GHG emissions applying the principles in IFRS S1 for aggregation and disaggregation; and

(c) industry-based guidance on identifying appropriate disclosures about climate-related risks and opportunities that are associated with common business models and activities in a particular industry.

~~both general and sector-specific guidance, as well as additional supporting materials, 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. The additional supporting materials provide guidance on specific topics intended to help address identified challenges in the preparer's implementation of key components of the TCFD recommendations, such as on scenario analysis, and metrics and targets. The Sustainable Stock Exchanges initiative has also developed a checklist in its model guidance ("**SSE Model Guidance**") on the implementation of the TCFD recommendations. The issuer is encouraged to refer to the TCFD's supplemental guidance and additional supporting materials to guide its disclosure consistent with the TCFD recommendations, and use the checklist in the SSE Model Guidance to determine whether the information recommended for disclosure by the TCFD are contained in its sustainability report.~~

4.14 The ISSB has sought to achieve a balance between the costs for companies in applying the requirements and ensuring investors are provided with consistent, comparable and verifiable information. It introduced a package of (permanent) structural reliefs and (temporary) transition reliefs in the ISSB Standards.

4.15 As part of the (permanent) structural reliefs, an issuer is allowed to:

(a) consider its skills, capabilities and resources when determining its approach:

(i) for its climate-related scenario analysis; and

(ii) in preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity; and

(b) use all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort in:

(i) identifying climate-related risks and opportunities;

(ii) preparing disclosures about the anticipated financial effects of a climate-related risk or opportunity;

(iii) determining its approach, and selecting the inputs, for its climate-related scenario analysis;

(iv) determining the scope of the value chain;

(v) calculation of amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities; and

(v) measuring Scope 3 GHG emissions.

4.16 As part of the (temporary) transition reliefs, an issuer (including newly-listed issuers) need not do the following in the first year of reporting:

(a) provide its Scope 3 GHG emissions;

(b) use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (2004) if it was previously using a different method; and

(c) provide comparative information in respect of the preceding period.

4.17 IFRS S2 requires disclosure of an issuer's Scope 1 GHG emissions, Scope 2 GHG emissions and Scope 3 GHG emissions, and the approach used to measure GHG emissions. Emissions must be measured in accordance with the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (2004), subject to the reliefs specified above and to the extent that it does not conflict with the ISSB Standards. An issuer must consider the 15 categories of Scope 3 GHG emissions, as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard (2011), with information being disclosed when applicable, and provide disaggregated information about its Scope 3 GHG emissions when material.

4.18 The ISSB has also developed a Scope 3 measurement framework to provide additional guidance about measuring Scope 3 GHG emissions. While direct measurement and primary data is preferred, an issuer may still estimate Scope 3 GHG emissions based on assumptions and appropriate inputs and use secondary data under such framework. Primary data includes data provided by suppliers or other entities in the value chain from specific activities within an entity's value chain, while secondary data is not directly obtained. Secondary data is typically supplied by third-party providers and includes industry-average data. ~~TCFD recommends disclosure of the issuer's Scope 1 and Scope 2, and if appropriate, Scope 3 GHG emissions. An internationally accepted GHG accounting system, such as the GHG Protocol should be used to measure the GHG emissions. These disclosures should include the methodologies and emission factors used. For industries with high energy consumption, it may also be important to provide emission intensity per unit of economic output (for example, unit of production or revenue).~~

4.19 ~~4.15~~ IFRS S2 requires all issuers to use climate-related scenario analysis to inform their disclosures about their resilience to climate change. IFRS S2 contains application guidance on how an issuer is required to determine the method of scenario analysis to assess its climate resilience. ~~TCFD also recommends conducting scenario analysis to identify and effectively assess the potential implications of a range of plausible future conditions due to the uncertainty of climate-related changes. Conducting scenario analysis is not an exercise in forecasts, predictions or sensitivity analyses, but rather in evaluating resilience to different possible future scenarios.~~ To reduce the risks and impacts of climate change, almost all countries have agreed to take action in limiting global warming to well below 2°C above pre-industrial levels, while pursuing efforts to arrest the increase to 1.5°C above pre-industrial levels. The issuer should describe how resilient its strategies are to climate-related risks and opportunities, taking into consideration a transition to a lower-carbon economy consistent with a 2°C or lower scenario and, where relevant, scenarios consistent with increased physical climate-related risks.

4.20 ~~4.16~~ An issuer new to scenario analysis can consider starting with qualitative scenario narratives to explore the potential range of implications. As it gains more experience, it can consider using quantitative information to describe the potential outcomes, and to enhance the rigour of that analysis.

4.21 ~~4.17~~ The Sustainable Stock Exchanges initiative has also developed a checklist in its model guidance on climate disclosure (“SSE Model Guidance on Climate Disclosure”). The SSE Model Guidance on Climate Disclosure sets out a simplified three stage process to the conduct of scenario analysis. First, the issuer should identify appropriate scenarios that align with its underlying assumptions and the key risks and opportunities of its sector or industry, and clearly explain the scenarios used. Second, the issuer may set boundaries of its scenario analysis with sufficient disclosure of the reasons for exclusion and inclusion. A smaller issuer may feel that an analysis of the direct operations sufficiently covers the climate-related risks and opportunities within each scenario, while a larger issuer and those in the financial sector should expand their analysis beyond their direct operations to include indirect GHG emissions (i.e. Scope 3 GHG emissions). Third, an issuer should evaluate its physical and transitional risks within the scenarios chosen. Mapping the severity and likelihood of the risks enables the issuer to develop a strategic plan for future scenarios. Additional guidance on scenario analysis as required by IFRS S2 has also been provided in the model guidance on sustainability-related financial disclosures issued by the Sustainable Stock Exchanges initiative in 2024.

4.22 IFRS S2 requires an issuer to disclose industry-based metrics that are associated with common business models and activities in a particular industry and cross-industry metric categories including:

(a) climate-related transition risks – the amount and percentage of assets or business activities vulnerable to transition risks;

(b) climate-related physical risks – the amount and percentage of assets or business activities vulnerable to physical risks;

(c) capital deployment – the amount of capital expenditure, financing or investment deployed towards climate-related risks and opportunities; and

(d) internal carbon prices used to assess the cost of emissions.

4.23 The industry-based guidance can assist issuers in meeting the requirements for disclosures related to cross-industry metric categories. In addition, an issuer shall refer to and consider the applicability of its full set of relevant industry-based guidance to present fairly the climate-related risks and opportunities to which it is exposed.

Materiality

4.24 ~~4.18~~ As guidance, 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. The omission or misstatement of these risks or opportunities could influence the decisions of investors. The sustainability reporting framework selected by the issuer may also contain a definition of materiality that the issuer should consider. For example, for climate-related disclosures, in accordance with the ISSB Standards, materiality of information is judged in relation to whether omitting, misstating or obscuring the information could reasonably be expected to influence decisions of primary users of general purpose financial reports. This would require consideration of the characteristics of those users and of the issuer’s own circumstances.

4.25 ~~4.19~~ Generally, what is material in sustainability reporting would also be considered material in financial terms, if not in the immediate period, then over time.

4.26 ~~4.20~~ In assessing materiality of the ESG factors on which it reports, the issuer should first satisfy itself of the relevance of selected factors to its business strategy and outcomes. This has the benefit of focusing both executives and employees on uniform key risks and opportunities that deliver (or impede) desired outcomes.

4.27 ~~4.21~~ The issuer should use risk ranking and prioritisation to distil the material ESG factors. This process is similar to the widely-practised Enterprise Risk Management ("**ERM**") process. The issuer should expand the breadth of the assessment to integrate ESG risk management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.

4.28 ~~4.22~~ The Board should determine the material ESG factors and the issuer's response to the attendant risks and opportunities. Discussion with stakeholders contributes to an accurate appreciation of what is important in the business on an ongoing basis.

Possible process and tools

4.29 ~~4.23~~ A possible process for assessing ESG factors with material relevance to the business and business model are set out in the following paragraphs.

4.30 ~~4.24~~ In assessing materiality of the ESG factors on which it reports, the issuer may consider:

(a) Value drivers

(b) Stakeholder engagement

(c) Risk management

(d) External factors, for example sector, geography, economics, market, social, environment

(e) Internal factors, for example business model, business cycle, strategy

(f) Qualitative perspectives, for example operational, strategic, reputational and regulatory

(g) Timeframe of these considerations

4.31 ~~4.25~~ The issuer may use the following Materiality Determination Process: Identify — Rate — Prioritise — Validate. The issuer should disclose the outcomes of this process in its sustainability report.

(a) STEP 1: IDENTIFY. The issuer should identify the most pressing (material) factors (impact/opportunities) for the issuer (or for each subsidiary in the group). It will also help formulate management's approach and response, and identify where data collection needs to be strengthened.

(b) STEP 2: RATE. Once the issues of the issuer and its subsidiaries have been explored, the issuer will need to cluster similar issues e.g. safety and health issues can be clustered together. If the issuer is a holding company, a rating process can be done to assess what issues are pervasive/most common across the group.

(c) STEP 3: PRIORITISE. Once the issues of the issuer and its subsidiaries have been clustered and rated, the issuer will need to prioritise them using a matrix based on likelihood and impact.

(d) STEP 4: VALIDATE. Once the issuer has prioritised its factors, they need to be internally validated and signed off by ~~leadership~~ the Board.

Policies, practices and performance

4.32 ~~4.26~~ The issuer should devise policies and processes to adequately and effectively manage the risks associated with the identified material ESG factors, and describe key features of mitigation.

4.33 ~~4.27~~ A description of the ESG practices and performance across historical and the current reporting periods allows investors and the issuer itself to track its progress. These metrics also form the baseline from which the issuer chooses to set its targets, as informed by its strategic plan and financial reporting.

4.34 ~~4.28~~ An effective policy and operational response to sustainability risks and opportunities requires performance measurement and its linkage to performance incentives. Having a good performance measurement system allows the issuer to benchmark performance against stated objectives and facilitates comparison over time and across entities. Clearly linking sustainability risks and opportunities with strategy, other organisational risks, operational indicators, performance measures and performance incentives not only enhances understanding but provides an engine for improvement, innovation and accountability.

4.35 ~~4.29~~ A clear description of the issuer's substantive response to ESG risks and opportunities, with a focus on its policies, practices and performance against targets, will bolster investors' confidence in the Board and management.

Sustainability reporting framework

4.36 ~~4.30~~ The issuer should select a sustainability reporting framework which is appropriate for and suited to its industry and business model, and explain its choice. In doing so, the issuer should place importance on using a globally-recognised framework for its wider acceptance in an increasingly global marketplace. The issuer can be more easily understood and compared with its peers in Singapore as well as in other jurisdictions across the world. The issuer should exercise considerable caution if it chooses to deviate from generally-accepted frameworks.

4.37 ~~4.31~~ Among the well-known and globally-recognised sustainability reporting frameworks, the Global Reporting Initiative ("**GRI**") Sustainability Reporting Guidelines set out generic sustainability factors and general principles and indicators that an issuer can use to report sustainability policies, practices, performance and targets. The ~~International Integrated Reporting Council's ("**IIRC**")~~ Integrated Reporting Framework ("**<IR>**") also sets out a general framework for reporting. An issuer using <IR> should consider ESG factors when determining their material factors for inclusion in the integrated report. The issuer may also consider referring to the Sustainability Accounting Standards Board's ("**SASB**") standards which adopt an industry-specific approach to material ESG factors. ~~IIRC and SASB have merged to form the Value Reporting Foundation.~~ More than one sustainability reporting framework may be chosen as relevant to the issuer's business.

4.38 ~~4.32~~ For climate-related disclosures, the issuer ~~should~~ must provide such disclosures in accordance with the ISSB Standards as applicable for climate-related disclosures. As a transitional measure for the financial years commencing on or after 1 January 2025 and on or after 1 January 2026, the issuer will be allowed to describe in its disclosures that its climate-related disclosures are prepared with reference to the ISSB Standards as applicable for climate-related disclosures. The issuer is also encouraged to report in accordance with the ISSB Standards for sustainability-related disclosures beyond climate-related disclosures. ~~consistent with the TCFD recommendations.~~ Some issuers have used the Science Based Targets initiative or other sector-specific guidance to guide their GHG emissions reduction targets.

4.39 ~~4.33~~ The issuer is expected to follow the chosen framework(s) from year to year and build up its knowledge and understanding of how to report effectively. In turn, it can expect to be building up investors' and stakeholders' understanding, leading to increased confidence. In the absence of regulatory changes, only major changes in business strategy and/or model are likely to require change in sustainability reporting framework. This does not preclude examination of framework relevance from time to time.

Time horizons used in the sustainability report

4.40 ~~4.34~~ In making its sustainability report, the issuer should consider whether it would be useful to report matters for their relevance in the short, medium and long term. Accordingly, sustainability policies, practices, performance and targets would be considered along the same time horizons. The time horizons should be internally consistent with those used for strategic planning and financial reporting (e.g. useful life of assets, impairment testing etc.). Where they are not consistent, the reasons for the inconsistency should be disclosed. Typically the short-term is considered less than one year for banking and financial instruments. For the medium term, the issuer may wish to take reference from their typical planning horizon, investment cycle or plant renewal or other considerations relevant to its business. The long-term should be a useful time horizon over which expectations can be formed and efforts planned.

Stakeholder engagement

4.41 ~~4.35~~ Stakeholder engagement is integral to any business and would be conducted regularly. The issuer should consider ESG factors in their engagement with stakeholders, not just with investors, but also customers, staff, suppliers, regulators, local communities and others in the value chain. The issuer should monitor carefully its communication with stakeholders so as to avoid any information asymmetry as it may lead to unfair trading in the securities market.

Group and investment holding company reporting

4.42 ~~4.36~~ Subject to paragraph 4.43 below, where ~~Where~~ holding companies and operating subsidiaries are both listed and have to undertake sustainability reporting, the operating entities can report on the ESG factors within their scope of operations. If the ESG factors are also material to the holding company, the holding company may make reference in its sustainability report to the sustainability reports of the operating subsidiaries. If the holding company has material investee companies which are not subsidiaries, its sustainability report should include the selection and management of these investee companies.

4.43 IFRS S1 requires an issuer to provide disclosures required by the ISSB Standards as part of its general purpose financial reports. For climate-related disclosures, an issuer may only make reference to other reports published by the same entity (and not the sustainability reports of its operating subsidiaries).

5. Internal Reviews and External Assurance

5.1 Internal reviews and external assurance increase stakeholder confidence in the accuracy and reliability of the sustainability information disclosed.

5.2 These procedures over sustainability disclosures should be aligned with the issuer's existing internal review or external assurance frameworks for other management information, such as financial information or production data.

5.3 An internal review of the sustainability reporting process builds on the issuer's existing governance structure, buttressed by adequate and effective internal controls and risk management systems. The internal audit function conducts the internal review, and may involve relevant functions, such as risk management, sustainability or other specialist functions. The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report; the review may take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, as approved by the Audit Committee. The expectations of the Board, management and other stakeholders should be considered as part of the prioritisation. The internal review should be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing (or any subsequent standard including the Global Internal Audit Standards replacing such standards) issued by The Institute of Internal Auditors. If the issuer has reviewed that certain or all key aspects of the sustainability report has been externally assured, the issuer can determine that no further internal review on such aspects of the sustainability report is required under a risk-based approach.

5.4 An issuer whose sustainability reporting has already matured after several annual exercises would want to undertake external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken. The issuer is encouraged to consider independent external assurance on selected important aspects of its sustainability report even in its initial years, expanding coverage in succeeding years.

5.5 External assurance involves the engagement of a third party. The scope of the assurance may include a materiality assessment, and cover different aspects of the sustainability disclosures, for example:

(a) data and its associated data collection process;

(b) narratives;

(c) compliance with the specified sustainability reporting framework;

(d) process to identify sustainability information reported; and

(e) compliance with the Listing Rules.

5.6 External assurance should be performed in accordance with recognised assurance standards, for example the International Standard on Assurance Engagements (ISAE) 3000 (or any subsequent sustainability-specific standard including the International Standard on Sustainability Assurance (ISSA) 5000), the ISAE 3410, the Singapore Standards on Assurance Engagement (SSAE) 3000 (or any subsequent sustainability-specific standard including the Singapore equivalent of the ISSA 5000), the SSAE 3410, the AA 1000 Assurance Standards or the ISO.

5.7 An issuer that has conducted external assurance should disclose, in the sustainability report, that external assurance has been conducted, including the scope covered, the identity of the external assurer, the standards used, the level of assurance obtained and key findings.

6. Form and Frequency of Sustainability Reporting

6.1 The issuer should report on sustainability at least once a year. The issuer's sustainability disclosure may be done in its annual report. The inclusion of sustainability risks and opportunities with the businesses' other risks and strategy in the same document presents advantages to the user. Sustainability reports contained within annual reports would observe annual report deadlines. Alternatively, if more appropriate for the circumstances of the issuer, the issuer may include a summary in its annual report and issue a full standalone sustainability report at the same time as the issuance of its annual report to shareholders and the Exchange ~~within 4 months of the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, within 5 months of the end of the financial year~~.

[To be effective from 1 January 2026]

6.2 In either case, the issuer should make available its sustainability reports on SGXNet and on its company website. After a few years of sustainability reporting, the issuer may wish to maintain static information, such as, policies and historical sustainability information, on its website while presenting the current year's changes as well as performance in the annual sustainability report.

6.3 To provide sufficient time for preparation, ~~an issuer in its first year of reporting may report within 12 months of the end of its financial year.~~ a newly listed issuer may issue its first sustainability report only in respect of its first full financial year after listing.

7. Implementation of Sustainability Reporting ~~Phased Approach~~

7.1 For the first year of sustainability reporting, ~~the~~ an issuer new to sustainability reporting should have at least the assessment of material ESG factors, policies and/or practices to address the factors; but if their reporting is lacking in qualitative or quantitative descriptions, they need only state progressive targets for reaching maturity of reporting and do their best to meet them in subsequent years. ~~Compliance with the TCFD recommendations may also take place progressively.~~

7.2 An example of ~~a phased implementation approach~~ how issuers could report over a few years is illustrated in the table below:

Illustration of Possible ~~Phased Approach~~ Implementation Approach

<table>
<tr><th rowspan="2">Primary Components</th><th colspan="3">Adoption</th></tr>
<tr><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><td rowspan="2">Material ESG factors</td><td>Addressed most critical factors</td><td>Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material</td><td>Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material</td></tr>
<tr><td colspan="3">Material ESG factors would be dependent on current business strategy, market conditions, stakeholder concerns etc., therefore the number of material ESG factors may vary year-on-year.</td></tr>
</table>

Climate-related disclosures ~~consistent with the TCFD recommendations~~	Described climate-related disclosures with reference to the core content in the ISSB Standards as applicable for climate-related disclosures of Governance, Strategy, Risk Management and Metrics and Targets Disclosure of reliance on the (temporary) transition reliefs of (a) not providing Scope 3 GHG emissions, (b) not using the Greenhouse Gas Protocol and (c) not providing comparative information in respect of the preceding period Limited disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities* Qualitative climate-related scenario analysis, with disclosure of reliance on the (permanent) structural reliefs*# Qualitative disclosure of current financial effects of climate-related risks or opportunities as the effects are not separately identifiable or the level of measurement uncertainty is high Qualitative disclosure of anticipated financial effects of climate-related risks or opportunities, with	~~Metrics used for assessment~~ ~~Impacts in more quantitative terms~~ Disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities* After considering all 15 categories of Scope 3 GHG emissions, disclose applicable categories of Scope 3 GHG emissions in its value chain by using data not obtained directly from activities within the value chain, e.g. industry-average data (secondary data) Comparative information in respect of the preceding period Use the greenhouse gas protocol to calculate its GHG emissions ~~Targets in qualitative terms~~ ~~Conducted qualitative scenario analysis~~	~~Impacts in more quantitative terms~~ Climate-related scenario ~~Scenario~~ analysis with more quantitative outcomes ~~Targets in quantitative terms~~ Disclose applicable categories of Scope 3 GHG emissions using more data obtained directly from activities within the value chain, e.g. data from suppliers (primary data) More quantitative disclosures of anticipated financial effects of climate-related risks or opportunities Statement of compliance with the ISSB Standards as applicable for climate-related disclosures

Primary Components	Adoption		
	Year 1	Year 2	Year 3
	disclosure of reliance on the (permanent) structural reliefs*# Determined the scope of its value chain, including its breadth and composition, with disclosure of reliance on the (permanent) structural reliefs* ~~Described the governance structures, including Board oversight and management's role~~ ~~Identified the climate-related risks and opportunities~~ ~~Described the processes for identifying and managing climate-related risks~~ ~~Impacts in qualitative terms~~ ~~Scope 1 and Scope 2 GHG emissions~~		
	** Using all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort* *# Considering the issuer's skills, capabilities and resources*		

Primary Components	Adoption		
	Year 1	Year 2	Year 3
Policies, practices and performance	Minimal description of how issuer manages material factors No previous targets for comparison of performance One metric per factor Plans for improved reporting in future	Description includes specific policies, practices per material factor More quantitative metrics and qualitative description per factor Comparison against previously disclosed qualitative commitments and targets with explanation of overachievement and shortfall	Description includes specific policies, practices per material factor Qualitative and quantitative description per factor Comparison against previously disclosed targets and commitments with explanation of overachievement and shortfall
Targets	Qualitative commitments if no quantitative targets	Short and long term qualitative targets and some quantitative targets	Short and long term qualitative and quantitative targets Include peer/sector benchmarks Targets linked to management performance incentives
Sustainability reporting framework	GRI ~~TCFD~~ ISSB Standards	GRI ~~TCFD~~ ISSB Standards	GRI ~~TCFD~~ ISSB Standards
Board statement and associated governance structure for sustainability practices	Complied	Complied	Complied

8. Glossary

ESG factors	Environmental, social and governance factors that affects the issuer's performance and prospects. Also referred to as sustainability issues, or sustainability risks and opportunities. Does not mean philanthropy or other charitable activities.
Sustainability reporting	The publication of information on material ESG factors in a comprehensive and strategic manner.

Materiality	In relation to ESG factors, the most important ESG risks and opportunities that will act as barriers or enablers to achieving business goals in short, medium and long term. The omission or misstatement of these risks or opportunities could influence the decisions of investors.

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