Responses to Comments on Consultation Paper

Climate and Diversity: The Way Forward

15 December 2021

Singapore Exchange

Contents

I Introduction

1 Background

1.1 On 26 August 2021, SGX issued a consultation on 'Climate and Diversity: The Way Forward' ("**Consultation**"). Unless otherwise defined, capitalised terms used herein shall have the same meanings as ascribed to them in the Consultation.

1.2 In the Consultation, SGX proposed amendments to help issuers better address immediate and increasing interest in sustainability, particularly around the disclosure of climate-related information, assurance of their sustainability reports and training for directors on sustainability. Proposals were also made to require disclosures on board diversity.

1.3 The Consultation closed on 27 September 2021. SGX has carefully considered all the comments received. The list of respondents can be found in Appendix 1. SGX would like to thank all respondents for providing comments to the Consultation.

II Comments Received and SGX's Responses

1 Mandatory Climate-related Disclosures

Question 1: Roadmap towards Mandatory Climate-related Disclosures

Do you agree with the proposed roadmap towards mandatory climate-related disclosures, consistent with the TCFD Recommendations? You may also provide suggestions on the roadmap.

Comments Received

1.1 Respondents overwhelmingly supported the proposed roadmap towards mandatory climate-related disclosures, consistent with the TCFD Recommendations. The respondents recognised the urgent need for efforts to combat climate change, which necessitates that issuers respond to increasing demand from investors and financial institutions by providing high quality and consistent climate-related disclosures.

1.2 Some respondents opined that the roadmap is reasonable, and a phased approach, where issuers initially provide climate reporting on a 'comply or explain' basis before subsequently transitioning to a mandatory basis, is necessary to accommodate issuers in different sectors who may be at varied levels of maturity in their climate reporting journey. While respondents supported the proposed roadmap, there were mixed views on whether it is sufficiently ambitious.

1.3 Of the respondents that agreed, several respondents called on SGX to emphasise that climate reporting on a 'comply or explain' basis is merely a transitional arrangement, and all issuers should eventually be required to conduct climate reporting. There were suggestions on the appropriate timeline to do so. Two respondents commented that mandatory climate reporting should be introduced as soon as possible, with one of the respondents commenting that it should be introduced as early as calendar year 2024. Two other respondents suggested calendar years 2026 or 2027, or at the latest, by 2030.

1.4 Some respondents that agreed with the roadmap nonetheless raised potential challenges with climate reporting, in terms of the need for more resources to help issuers build up capabilities and manage any increase in compliance cost, which may be more pertinent for issuers heavily impacted by COVID-19. SGX received suggestions that training sessions can be extended to issuers to help them build-up capabilities and ensure that climate reporting does not become a paper-pushing exercise. One respondent suggested that training should be conducted for issuers at a sectoral level to facilitate cross-sharing and learning between issuers of the same sector, while two respondents requested specific training on climate reporting, and in particular, the conduct of climate-related scenario analysis. Some respondents suggested that grants may be provided to issuers to alleviate any increase in compliance cost.

1.5 Three respondents disagreed with the proposed roadmap. One respondent was of the view that it is not sufficiently ambitious, another felt that reporting based on the TCFD Recommendations may not be appropriate for all issuers while the last disagreed on the basis of increased compliance cost.

SGX's Response

1.6 SGX notes the strong support for the roadmap towards mandatory climate-related disclosures, consistent with the TCFD Recommendations. SGX reiterates our view that the urgency of climate change demands that we move apace. Doing so will better-equip issuers to build business resilience by anticipating potential climate-related risks and opportunities, in light of more stringent national emissions reduction targets. In addition, investors and financial institutions require climate-related disclosures from issuers to manage their own portfolio decarbonisation commitments and meet increasing regulatory reporting requirements. Failure to provide robust climate-related disclosures may result in the exclusion of issuers from the investible universe of certain investors.

1.7 Under the roadmap, specific industry sectors of issuers for which climate reporting would be most impactful will conduct climate reporting on a mandatory basis, ahead of other issuers. We note feedback that a phased approach would allow issuers to improve their reporting in a progressive manner. Accordingly, SGX will proceed with the roadmap.

1.8 In relation to suggestions on the timeline for which all issuers would conduct climate reporting on a mandatory basis, SGX notes that the ISSB established by the IFRS Foundation on 3 November 2021 is anticipated to publish its final climate reporting standard in 2022, which will build on the TCFD Recommendations.[1] The G20, the Financial Stability Board, and Finance Ministers and Central Bank Governors from 41 jurisdictions have signalled support for the ISSB. We note that the SASB and the IIRC merged in June 2021 to form the VRF, and that the CDSB and the VRF will be consolidated into the ISSB by June 2022, reducing the current fragmentation of standards and frameworks and hence the reporting burden for issuers. SGX will monitor the progress in climate reporting and look to introduce mandatory climate reporting based on the ISSB's final climate reporting standard for all issuers subsequently.

1.9 Since the introduction of the SR Regime in 2016, SGX has facilitated training for issuers on various topics, the latest of which is on climate-related disclosures. To mitigate the challenges raised by respondents with climate reporting, SGX will provide further reporting guidance and continue to facilitate capability building sessions, which may include targeted training sessions by industry sectors, to assist issuers in their preparation for climate reporting.

[1] IFRS Foundation, "IFRS Foundation Announces International Sustainability Standards Board, Consolidation with CDSB and VRF, and Publication of Prototype Disclosure Requirements" (3 November 2021).

Question 2: Prioritisation of Industry Sectors

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

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

Comments Received

1.10 Majority of respondents agreed that the prioritisation of issuers for mandatory climate-related disclosures should be based on their industry classification, noting that there is more urgency for issuers in sectors with the highest climate-related risks to conduct climate reporting. Several respondents also considered that this approach will allow peer benchmarking and facilitate comparability between issuers in the same sectors. Two respondents commented that prioritisation by industry classification instead of size is sound, as the impact of smaller issuers on climate may be significant notwithstanding their size.

1.11 In terms of the methodology for prioritisation of issuers by industry classification, a majority of respondents opined that it should be based on the industries identified by the TCFD as most affected by climate change and the transition to a lower-carbon economy (the "**TCFD-identified Industries**"). The main reason is the ease of consistency given that issuers will provide climate-related disclosures consistent with the TCFD Recommendations. The TCFD-identified Industries are:

(a) the financial industry; and

(b) the following non-financial industries:

(i) agriculture, food and forest products;

(ii) energy;

(iii) materials and buildings; and

(iv) transportation.

The respondents also highlighted that the TCFD-identified Industries will be able to benefit from sector-specific guidance published by the TCFD on implementing the TCFD Recommendations. SGX also notes that the upcoming ISSB climate reporting standard intends to provide industry-specific guidelines for over 70 industries, which will address the industries not covered by the TCFD.

1.12 The respondents that were supportive of a prioritisation based on the economic activities identified by the GFIT commented that the GFIT classification provides regional context, and in any case, substantially overlaps with the TCFD-identified Industries.

1.13 In addition, several respondents that agreed with a prioritisation based on industry classification were of the view that such a prioritisation could be supplemented with a size criterion, although the considerations varied. Some of these respondents considered that large issuers in sectors beyond the priority sectors may have a correspondingly high impact on the climate. Further, it is considered that large issuers are likely to have the resources to adopt climate reporting. Other respondents wished for smaller issuers from the priority sectors to be excluded from climate reporting, on the basis that smaller issuers may be constrained by more limited resources and require additional time to build up the necessary capabilities.

1.14 Nevertheless, two of these respondents highlighted limitations with using an issuer's size as a threshold for prioritisation – market capitalisation and revenue may be volatile and fluctuate significantly, while asset size may not capture high-emitting, low-asset business models, such as those in the technology sectors. Accordingly, the respondents suggested an overlap of multiple criteria to determine the size threshold, for example, a combination of assets, revenue and number of employees.

1.15 Of the respondents that disagreed, some were of the view that all sectors should be required to do climate reporting, while others suggested that the classification should be based on size, total GHG emissions or number of employees. In relation to the criterion to determine size, SGX received varied views, with suggestions that it should be based on market capitalisation, listing board or revenue.

1.16 A few respondents requested that any classification adopted should allow investors and other stakeholders to easily identify issuers that have been prioritised for mandatory climate reporting, using widely-accepted classification codes. A few respondents also requested clarity for issuers in industries which may span more than one sector.

SGX's Response

1.17 SGX notes the majority support for prioritisation of issuers for mandatory climate reporting based on the TCFD-identified Industries; this would prioritise climate reporting for issuers that are most impacted by climate change. Further, given that climate-related disclosures are to be consistent with the TCFD Recommendations, for consistency, SGX will adopt a prioritisation based on the TCFD-identified Industries.

1.18 As noted by some respondents, SGX considers that a size-based test may present difficulties. A size-based threshold may be arbitrary, as the indicator may fluctuate due to market conditions.

1.19 SGX also notes the calls that any segmentation should be based on clear and readily available indicators. In this regard, SGX has mapped the TCFD-identified Industries to the Thomson Reuters sector classification available on SGX's Stock Screener webpage ("**Thomson Reuters Sector Classification**"):[2]

TCFD-identified Industries	Thomson Reuters Sector Classification
Financial	Banking and Investment Services
	Collective Investments
	Insurance
Agriculture, Food and Forest Products	Applied Resources
	Food & Beverages
Energy	Energy – Fossil Fuels
	Utilities

[2] Please refer to: https://www.sgx.com/securities/stock-screener.

Materials and Buildings	Chemicals
	Mineral Resources
	Industrial & Commercial Services
	Real Estate
Transportation	Automobiles & Auto Parts
	Transportation

Issuers, including those with lines of business that may span more than one sector, may utilise the Thomson Reuters Sector Classification to identify if they are classified under any of the specific TCFD-identified Industries.

1.20 In terms of prioritisation within the TCFD-identified Industries, SGX notes that MAS expects banks, insurers and asset managers to make climate-related disclosures in accordance with internationally recognised frameworks such as the TCFD Recommendations from June 2022. MAS is also planning a consultation on mandating disclosures by financial institutions. In addition, the GFIT has identified the top two economic activities that are the largest contributors to GHG emissions in ASEAN: these broadly correlate to the agriculture, food and forest products industry, and the energy industry.[3]

1.21 Accordingly, SGX will proceed with a prioritisation based on the TCFD-identified Industries, with the financial industry, the agriculture, food and forest products industry, and the energy industry prioritised for mandatory climate reporting for financial year commencing 1 January 2023, and issuers in the remaining TCFD-identified Industries (i.e. materials and buildings industry, and transportation industry) be prioritised for mandatory climate reporting for financial year commencing 1 January 2024:

For Financial Year Commencing	Baseline Reporting Practice	Calendar Year in which Report Published
1 January 2022	For all issuers: Climate reporting on a 'comply or explain' basis.	2023
1 January 2023	For issuers in (a) financial industry; (b) agriculture, food and forest products industry; and (c) energy industry: Climate reporting on a mandatory basis. For other issuers: Climate reporting on a 'comply or explain' basis.	2024
1 January 2024	For issuers in (a) financial industry; (b) agriculture, food and forest products industry; (c) energy industry; (d) materials and buildings industry; and (e) transportation industry: Climate reporting on a mandatory basis.	2025

[3] GFIT, "Identifying a Green Taxonomy and Relevant Standards for Singapore and ASEAN" (2021).

	For other issuers: Climate reporting on a 'comply or explain' basis.	

The roadmap will be incorporated in the Sustainability Reporting Guide.

1.22 In relation to the concerns that issuers, particularly smaller issuers, would need to devote resources to build up the necessarily capabilities and skillsets, SGX will look to facilitate necessary training – please refer to paragraph 1.9 of this Part II for further details. In addition, as stated in our responses to the Consultation Paper titled 'Starting with a Common Set of Core ESG Metrics', SGX will proceed with the development of an ESG data portal, which is intended to simplify and streamline sustainability reporting processes, alleviating the reporting burden for issuers. [4]

Question 3: Amendments to Incorporate TCFD Recommendations

Do you agree with the proposed amendments to incorporate the TCFD Recommendations in the SR Regime?

Comments Received

1.23 Almost all respondents agreed with the amendments to incorporate the TCFD Recommendations in the SR Regime. These respondents acknowledged that there has been global convergence on the use of the TCFD Recommendations for climate-related disclosures. Respondents also commented that leveraging on the TCFD Recommendations in the SR Regime will provide greater clarity to issuers on reporting against the TCFD Recommendations, and enhance the quality and consistency of climate-related disclosures.

1.24 A few respondents specifically lauded certain aspects of the amendments, such as asking issuers to consider the relevance or impact of the material ESG factors to financial planning, as issuers that do not adequately respond to sustainability-related risks may face significant costs (for example, increased operating expenditure from higher exposure to climate-related risks). These respondents also agreed with the amendments for issuers to provide more disclosures on their governance structure, including the respective roles of the Board and management in the governance of sustainability issues.

1.25 Of the respondents that disagreed, one was of the view that it will increase issuers' compliance cost. Two respondents commented that issuers may require more time to execute certain aspects of the TCFD Recommendations – this concern was similarly echoed by several respondents that expressed their agreement with the amendments to the SR Regime.

1.26 These respondents suggested that the market may not be sufficiently mature, and identified the disclosure of GHG emissions, especially Scope 3 GHG emissions, and the conduct of climate-related scenario analysis as particularly challenging for some issuers in initial stages of climate reporting or those from certain industry sectors. For example, in relation to the disclosure of Scope 3 GHG emissions, it was highlighted that financial institutions and those in the real estate sector may be constrained by data availability.

1.27 On the other hand, a few respondents called for more stringent climate-related disclosures beyond the ambit of the TCFD Recommendations. Two respondents requested that issuers disclose their absolute Scope 3 GHG emissions, regardless of materiality. One respondent suggested that issuers

[4] SGX's Responses to Comments Received on the Consultation Paper titled 'Starting with a Common Set of Core ESG Metrics' is available at https://www.sgx.com/regulation/public-consultations/20210826-consultation-paper-climate-and-diversity.

should conduct climate-related scenario analysis with reference to a 1.5°C or lower scenario, while another respondent suggested that issuers be required to set targets towards net-zero GHG emissions.

1.28 Some respondents suggested that a phased approach to climate reporting may be adopted. One respondent highlighted the need for SGX to balance the requirements to ensure that there are not overly prescriptive for issuers, especially issuers in a nascent stage of climate reporting, while addressing the desire by investors for consistent and comparable climate-related disclosures.

1.29 One respondent opined that the reporting scope should also extend to issuers with subsidiaries in diverse industries and jurisdictions. A respondent requested clarification on the requirements to foreign issuers, new issuers and issuers of debt securities.

SGX's Response

1.30 SGX notes the strong support for the amendments to incorporate the TCFD Recommendations in the SR Regime, and will proceed with the amendments. Issuers that incorporate the TCFD Recommendations in their climate reports will be better prepared for reporting against the anticipated international climate reporting standard by the ISSB, which will build on the TCFD Recommendations. At this juncture, SGX does not intend to impose additional requirements relating to climate-related disclosures beyond the TCFD Recommendations.

1.31 SGX notes the feedback raised by respondents that some aspects of the TCFD Recommendations may require more time for implementation. SGX recognises that climate reporting is a journey for many issuers, and will take time to mature in quality and depth.

1.32 Issuers may progressively adopt certain practices of the TCFD Recommendations. In this regard, SGX has, in the Sustainability Reporting Guide, suggested a phased approach over a three-year period that issuers may consider. For example, issuers may disclose their Scope 1 and Scope 2 GHG emissions in the first year of climate reporting, and disclose their Scope 3 GHG emissions in the following year of climate reporting. Scenario analysis with more quantitative outcomes may also be conducted in the third year of climate reporting. However, issuers prioritised for mandatory climate reporting should note that they may need to adopt the TCFD Recommendations fully in two years instead of the suggested three years.

1.33 SGX wishes to highlight that, following the TCFD Consultation, the TCFD has published an updated document on implementing the TCFD Recommendations, which supersedes the version published in 2017 ("**2021 TCFD Document**").[5] Therefore, issuers are encouraged to refer to the 2021 TCFD Document for guidance on implementing the TCFD Recommendations, including the guidance for all sectors and supplemental guidance for specific sectors. The 2021 TCFD Document recommends all sectors to provide disclosure of Scope 1 and Scope 2 GHG emissions, independent of a materiality assessment, and encourages disclosure of Scope 3 GHG emissions.

1.34 SGX wishes to highlight growing investor commitments to reduce Scope 3 GHG emissions of portfolio companies where these are material. Signatories to the Net Zero Asset Owner Alliance (which represent US$10 trillion assets under management ("**AUM**")) have committed to reduce Scope 3 GHG emissions for investments in the oil and gas, utilities, steel and transport sectors. The signatories to the Net Zero Asset Managers Initiative (which represents US$57 trillion AUM) have also committed to take account of Scope 3 GHG emissions, where material.

1.35 In response to the requests for clarification, the SR Regime applies to all primary-listed issuers with equity securities listed on the SGX-ST; a newly listed issuer will be required to produce a sustainability report for its first full financial year following listing. Issuers are expected to extend

[5] TCFD, "Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures" (2021).

the reporting scope to its material subsidiaries.

2 Sustainability Reporting Frameworks and ESG Indicators

Question 4: Sustainability Reporting Frameworks and ESG Indicators

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

Comments Received

2.1 Majority of respondents agreed that beyond climate, SGX should not prescribe the specific sustainability reporting frameworks and ESG indicators against which issuers should report. The respondents commented that it may be premature to do so, given that the IFRS Foundation is in the midst of working towards a final climate reporting standard being published by the ISSB. Respondents also commented that the approach will accord issuers with the flexibility to adopt sustainability reporting frameworks and determine the material ESG factors based on the relevance to their business and engagement with stakeholders.

2.2 Some of the respondents also noted that the list of core ESG metrics concurrently proposed in the Consultation Paper titled 'Starting with a Common Set of Core ESG Metrics' ("**Core ESG Metrics**") will serve as a good starting point for issuers in their reporting of material ESG factors, and addresses the current market gap on lack of standardised ESG metrics.

2.3 The respondents that disagreed were of the view that a more prescriptive approach would provide more specific guidance to issuers and facilitate comparability of sustainability reports. Consequently, a few respondents suggested that issuers adopt certain sustainability reporting frameworks, such as GRI and SASB.

SGX's Response

2.4 In line with the feedback, beyond climate, SGX does not intend to prescribe specific sustainability reporting frameworks and ESG indicators against which issuers should report on at this stage. Further, SGX notes that the GRI has signed a statement of cooperation to co-create sustainability reporting standards for the European Commission's proposed Corporate Sustainability Reporting Directive. SGX watches with interest the IFRS Foundation's programme of work to develop globally comparable baseline sustainability reporting requirements for all businesses, and will consider amending the Listing Rules to adopt those standards should that gain market acceptance.

2.5 The Sustainability Reporting Guide provides that issuers are free to select a sustainability reporting framework which is appropriate for, and suited to, its industry and business model. Issuers should place importance on using a globally recognised framework. Among the well-known and globally recognised sustainability reporting frameworks, SGX has identified those developed by the GRI as one example. SGX notes that the ISSB intends to publish an exposure draft of a general requirements standard and conceptual guidelines, in addition to a climate standard. The former two, as well as the resources of the ISSB (including those of the CDSB and the VRF to be consolidated into the ISSB), will support issuers with reporting on sustainability issues where there is no ISSB standard. For example, the CDSB launched its biodiversity disclosures application guidance on 30 November 2021, and the VRF is at an advanced stage of its research project to provide recommendations on including human capital into existing standards, where material. For climate-related disclosures, issuers should utilise the TCFD Recommendations. Issuers are also expected to follow the chosen frameworks from year to year.

2.6 To facilitate consistency and comparability of ESG data disclosures, SGX encourages issuers to report against the Core ESG Metrics for a start.

3 Guideline on Materiality

> **Question 5: Guideline on Materiality**
>
> Do you agree that the Working Guideline on materiality should be retained?

Comments Received

3.1 A significant majority of respondents agreed that the Working Guideline on materiality should be retained on the basis that it is a reasonable operationalisation of the materiality concept and provides a common baseline for all issuers. Some respondents also commented that it provides flexibility for issuers to determine the materiality threshold best suited for its business and stakeholders.

3.2 Several respondents were of the view that the Working Guideline on materiality should additionally incorporate the 'double materiality' requirement in the EU Non-Financial Reporting Directive.

3.3 One respondent suggested that issuers should also consider the guidance on materiality provided by reporting frameworks, such as GRI, SASB and TCFD.

SGX Response

3.4 SGX will retain the Working Guideline on materiality, as respondents have highlighted its usefulness in providing practical guidance to issuers, while providing issuers with flexibility, based on its business and stakeholder engagements. The Working Guideline serves as a common baseline for all issuers, but issuers may choose to adopt an additional standard of materiality if they consider that it serves their stakeholders' needs, including the concept of 'double materiality'.

3.5 SGX will also remind issuers, in the Sustainability Reporting Guide, to consider any guidance on materiality provided in the sustainability reporting frameworks that they have chosen to report against. As highlighted in paragraph 1.33 of this Part II, the 2021 TCFD Document recommends that disclosures related to, among others, Scope 1 and Scope 2 GHG emissions do not involve an assessment of materiality.

4 Assurance

Question 6: Assurance	
(a)	Do you agree that issuers should be required to subject their sustainability reports to internal assurance? If so, do you agree that the scope should minimally include assurance on whether data being reported is accurate and complete?
(b)	Are there any aspects of the sustainability report that should be subject to external assurance?
(c)	Should issuers be required to disclose in the sustainability report that internal assurance or external assurance has been conducted? If so, please suggest the content of such disclosures.

Comments Received

4.1 Majority of respondents agreed that issuers should be required to subject their sustainability reports to assurance. In principle, the respondents agreed that assurance may serve to enhance the credibility of sustainability reports, thereby increasing confidence levels of users of the sustainability reports.

4.2 Some of these respondents considered that internal assurance may be an interim solution for issuers that may otherwise be constrained from conducting external assurance. On the other hand, some of these respondents, and respondents who disagreed, expressed their hesitations about the use of internal assurance.

4.3 In particular, respondents commented that internal assurance is dissimilar to external assurance; the internal audit function is focused on providing assurance to management and the Board that the organisation has established policies, processes and internal controls to ensure the quality of the data being produced and reported. The internal audit function may therefore not be in a position to opine on the accuracy and completeness of the sustainability report. One respondent also opined that as the Board is ultimately responsible for the issuer's sustainability reporting, issuing a statement on internal assurance by the internal audit function would be redundant and may divert user's focus away from the responsibility of the Board.

4.4 Some respondents also highlighted that the internal audit function may need to undergo training to build up their capacity and competence in this evolving area. One respondent commented that it may be premature and challenging for issuers to invest in upskilling internal auditors without any globally recognised standards or frameworks.

4.5 A few respondents requested more specificity, particularly on the maximum length between each audit cycle, while a few other respondents requested more flexibility to obtain assurance within the organisation, for example, through existing corporate functions like risk management or human resource.

4.6 On external assurance of sustainability reports generally, SGX received feedback from a few respondents that external assurance may increase compliance costs, and it may be premature to conduct external assurance given the absence of any globally recognised standards or frameworks.

4.7 In particular, one respondent highlighted challenges in requiring the scope of assurance to minimally include whether the data being reported is accurate or complete. The respondent highlighted that it may be difficult for external auditors to assure the completeness of sustainability reports due to resource constraints, and most external assurance of sustainability reports are therefore conducted on a limited assurance basis. Similarly, it may also be challenging for external auditors to assure the accuracy of qualitative information in sustainability reports due to the inherent subjectivity of such information. A few respondents commented that the scope of assurance should recognise the concept of materiality in assurance engagements.

4.8 On the other hand, some respondents provided that external assurance is the mode of assurance valued by users of sustainability reports (instead of internal assurance), and requested clearer timelines on when issuers should be required to transition to external assurance. Two respondents specifically recommended that issuers should be required to subject their sustainability reports to external assurance only.

4.9 In relation to the aspects of sustainability reports that should be externally assured, SGX received mixed suggestions. Some respondents commented that all data in the sustainability report should be externally assured, while others suggested that it may be based on materiality (for example, all material ESG factors or at least one key indicator for each material ESG topic) or specific topics, for example, all climate-related disclosures and GHG emissions data. Some suggested subjecting only quantitative data to external assurance, while others said narratives and all qualitative data should be assured. One respondent commented that assurance should be required on all historical information, while only encouraged for forward-looking information. Other suggested topics of assurance include the process to identify material ESG factors as well as adherence to sustainability reporting frameworks.

4.10 Almost all respondents agreed that issuers should disclose in the sustainability report that assurance has been conducted. Generally, respondents commented that issuers should disclose whether they have conducted assurance, the scope of assurance, the identity of the assurance provider, and the standards applied. The key findings of the assurance should also be provided.

SGX's Response

4.11 SGX notes the broad support on the use of assurance to enhance the credibility of sustainability reports as well as the challenges highlighted by respondents in relation to specific aspects of internal assurance and external assurance.

4.12 On internal assurance, SGX notes the feedback received that the role of the internal audit function is focused on the design of, and compliance with, policies, processes and internal controls to ensure the quality of the data being produced and reported, and that internal assurance is not a substitute for external assurance. Given the feedback, we will distinguish between the two by referring to the former as "internal review".

4.13 An internal review by the internal audit function of the sustainability reporting process builds on the issuer's existing governance structure, buttressed by adequate and effective internal controls and risk management systems. Accordingly, SGX considers that issuers should review their processes in relation to sustainability reporting, among other risk and control areas. Therefore, SGX will expressly require issuers to minimally subject the sustainability reporting process to internal review by the internal audit function, and provide more guidance in the Sustainability Reporting Guide on our expectations. SGX notes that this requirement is an extension of Rule 719 of the Listing Rules, which requires issuers to have adequate and effective systems of internal controls and risk management systems.

4.14 Given that the focus of the internal review is to provide assurance to management and the Board, and the view that the Board has ultimate responsibility for the issuer's sustainability reporting, SGX will not require issuers to provide a separate statement on internal review. In any case, SGX notes that the SR Regime requires the Board to provide a statement that, among others, it has overseen the management and monitoring of the material ESG issues. The sustainability report should also describe the roles of the Board and management in the governance of sustainability issues. The internal audit function conducts the internal review, and may involve relevant functions, such as risk management, sustainability or other specialist functions. The internal review should be conducted in accordance with the International Standards for the Professional Practice of Internal Auditing issued by The Institute of Internal Auditors.

4.15 For external assurance, respondents generally agreed that this is a developing area. Respondents expressed constraints on the external auditors' ability to comment on the accuracy and completeness of the sustainability report. The challenges are exacerbated by the lack of globally recognised standards or frameworks in relation to assurance on sustainability reports. Accordingly, we will not mandate external assurance at this current juncture, but will provide further guidance in the Sustainability Reporting Guide for issuers that do conduct external assurance.

4.16 For external assurance, SGX will amend the Sustainability Reporting Guide to include materiality assessment as a possible scope of assurance. The scope of assurance may also cover different aspects of the sustainability disclosures, such as data and its associated data collection process, narratives, compliance with the specified sustainability reporting framework, process to identify sustainability information reported and compliance with the Listing Rules. Issuers are encouraged to consider the scope of assurance that is appropriate for them.

4.17 Where issuers have conducted external assurance on the sustainability reports, SGX agrees that, to provide transparency to users of the sustainability reports, issuers should disclose (a) that external assurance has been conducted; (b) the scope covered; (c) the identity of the external assurer; (d) the standards used; and (e) key findings.

5 Training for Directors

Question 7: Training for Directors

(a) Do you agree that the mandatory training for First-time Directors should include a specific component on sustainability? If so, please provide your views on the specific topics relating to sustainability that should be covered.

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

Comments Received

5.1 Almost all respondents agreed that the mandatory training for First-time Directors should include a specific component on sustainability. A substantial majority of respondents also agreed that all directors should undergo a prescribed one-time training on sustainability.

5.2 The respondents that agreed considered that it is important for directors to have the necessary knowledge on sustainability matters, particularly as effective implementation of sustainability practices starts at the top. Some respondents also acknowledged the importance of directors having a good grasp of sustainability matters to allow them to discharge their fiduciary duties.

5.3 Several respondents, including those that disagreed, were of the view that training for directors should be extended beyond a one-time training (i.e. there should be ongoing training). Some respondents also requested flexibility in the training that is prescribed, whereby directors may either attend training provided internally by issuers themselves, or those organised by other service providers. A few respondents also requested that any training organised be offered at different levels to accommodate different levels of experience.

5.4 Broadly, respondents suggested that training should cover the following topics relating to sustainability: (a) the SR Regime; (b) assessment of material ESG factors; (c) sustainability reporting frameworks; (d) governance structure and Board responsibilities on sustainability matters; (e) stakeholder engagement process; (f) incorporation of ESG risks and opportunities within the issuer's business and strategy; (g) impact and importance of climate change; (h) guidance on climate reporting, including identification of climate-related risks and conduct of scenario analysis; (i) emerging trends and developments in sustainability space; and (j) other relevant aspects of sustainability, such as biodiversity, diversity and human rights.

SGX's Response

5.5 SGX notes the overwhelming support from respondents to require all directors to undergo training on sustainability, and will proceed with the requirement.

5.6 The Listing Rules require a First-time Director to undergo prescribed training on the roles and responsibilities of a director of an issuer listed on SGX-ST.[6] The nominating committee may assess that training is not required for a First-time Director because the director has other relevant experience, provided that the basis of its assessment is disclosed. Currently, the training provider specified to provide the mandatory training is the Singapore Institute of Directors ("**SID**").[7] SGX is working with the SID to expand the scope of the mandatory training to include a specific component on sustainability for all First-time Directors. SGX will amend Schedule 1 to Practice Note 2.3 of the Mainboard Rules and Practice Note 4D of the Catalist Rules accordingly.

5.7 For training for existing directors on sustainability, while SGX is working with the SID on the inclusion of sustainability training, SGX notes that other service providers may also be interested to provide appropriate training. We will work with interested parties to review the content of training. Interested parties should contact SGX at listingrules@sgx.com by 31 January 2021 with details on their organisation, including their capabilities and experience, as well as the training outline, which should cover the areas suggested by respondents, as stated in paragraph 5.4 of this Part II. We will subsequently inform issuers of the list of sustainability training that directors can attend to meet the mandatory training requirement.

5.8 In relation to existing directors that have expertise in sustainability matters due to prior experience, in exceptional circumstances, the nominating committee may assess that a director need not undergo the one-time training on sustainability, provided that the basis of its assessment is disclosed. However, directors with sustainability expertise are still encouraged to attend the sustainability training to foster a common understanding among all directors. They are also encouraged to leverage their experience and assess if there are any industry-specific curriculum gaps that require additional attention.

5.9 Issuers should provide a confirmation that their directors have attended the sustainability training in their first sustainability report for financial years commencing on or after 1 January 2022.

5.10 While the requisite one-time training on sustainability is intended to ensure that all directors receive a baseline and common understanding of sustainability matters, we welcome suggestions from respondents that there should be a continuing professional development programme for all directors, which should cover not just sustainability but other relevant topics. Issuers can supplement the one-time training with other regular trainings, including more advanced, or industry-specific training, based on the needs of the Board.

[6] Rule 210(5)(a) of the Mainboard Rules and Rule 406(3)(a) of the Catalist Rules.
[7] Practice Note 2.3 of the Mainboard Rules and Practice Note 4D of the Catalist Rules.

6 Reporting Timeframe

Question 8: Reporting Timeframe

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

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

Comments Received

6.1 Majority of respondents agreed that the issuance of sustainability reports should be aligned with annual reports. Respondents noted that this will address investors' demand for more holistic information to facilitate decision making at general meetings. Several respondents also noted that the sustainability report and the annual report should be seen as complementary reports, and a consistent timeline will accord necessary weight to the importance of a sustainability report as sustainability performance undergirds sustainable financial performance.

6.2 The respondents who disagreed were concerned that the condensed timeline may present difficulties for smaller issuers who may lack resources or issuers with vast operations spanning multiple jurisdictions. Of these respondents, two suggested that issuers should be given the flexibility to decide on the timeline. Three respondents also provided that SGX should not prescribe the format of the sustainability report.

6.3 One respondent commented that issuers should have a grace period of one year from the end of its financial year to provide climate-related disclosures, while another respondent took the view that sustainability reports should be published more frequently in light of the fast-evolving developments in the sustainability space.

6.4 On the reporting timeline where issuers have conducted external assurance of their sustainability reports, majority of respondents considered that the option of issuing a full standalone sustainability report within five months (instead of four months, if issued together with the annual report) of the end of the financial year is a reasonable approach as issuers may face more compressed timelines if they seek external assurance. Two respondents also stated that this would encourage issuers currently conducting external assurance of their sustainability reports to continue to do so. Four respondents opined that this is required in view of the scale of operations of some issuers, which span multiple jurisdictions; one respondent proposed that the timeline be extended to 6 months after the end of financial year instead.

6.5 Some of the respondents emphasised that the longer reporting timeline for externally-assured sustainability reports should be viewed as an interim measure, and all issuers should be required to issue their sustainability reports together with their annual reports, notwithstanding that external assurance has been conducted.

6.6 Respondents who disagreed primarily did not think that externally-assured sustainability reports should be subject to a longer reporting timeline. They viewed it important for investors to have timely access to sustainability reports, and concurrently with financial reports, as such information will impact investors' decision making at general meetings. Some respondents also stated that concurrent reporting will allow greater connectivity and synergies between financial and sustainability reporting.

SGX's Response

6.7 SGX notes the various views and concerns. SGX recognises the benefits associated with concurrent issuance of sustainability reports and annual reports, while noting the potential time constraints faced by issuers conducting external assurance on their sustainability reports. Accordingly, SGX will proceed to require that sustainability reports be issued together with annual reports, unless issuers are conducting external assurance on their sustainability reports. Issuers that conduct external assurance on their sustainability reports may release the sustainability report within five months after the end of the financial year, with a summary included in the annual report.

6.8 SGX notes that this is consistent with the requirements most recently enshrined in law by the New Zealand Government for issuers listed on the New Zealand Exchange to make available their climate statements in their annual reports.[8] Similarly, the FCA in the United Kingdom requires issuers to include a compliance statement in their annual reports on whether they have made disclosures consistent with the TCFD Recommendations,[9] while the HKEx encourages issuers to publish sustainability reports at the same time as their annual report publications.[10]

6.9 SGX wishes to highlight that it is an existing requirement in the Sustainability Reporting Guide for issuers that conduct external assurance to include a summary in its annual report, so that sustainability risks and opportunities can be presented with the businesses' other risks and strategy in the same document. As external assurance on sustainability reports becomes more mainstream, SGX will look towards standardising the reporting timeline for all sustainability reports to be issued together with annual reports.

6.10 Issuers have flexibility to decide on the format of the sustainability report, either as a standalone report (with a summary in the annual report) or embedded within the annual report. On the comment that there may be a need for more frequent sustainability-related disclosures given the rapid developments in the sustainability space, SGX wishes to highlight that, on an ongoing basis, issuers are required to announce material information pursuant to Rule 703 of the Listing Rules.

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[8] New Zealand Parliament, "Financial Sector (Climate-related Disclosures and Other Matters) Amendment Bill" (2021).
[9] Listing Rule 9.8.6 of the FCA Listing Rules.
[10] Appendix 27 (Environmental, Social and Governance Reporting Guide) of the HKEx Listing Rules.

7 Board Diversity

Question 9: Board Diversity	
(a)	Do you agree that issuers must set and disclose their board diversity policy in their annual reports?
(b)	Do you agree that gender should be an aspect of diversity encapsulated within issuers' board diversity policy? What other aspects, if any, must be mentioned?
(c)	Do you agree that issuers' disclosure in their annual reports on their board diversity policy must contain targets for achieving the stipulated diversity, accompanying plans, and timeline for achieving the targets?
(d)	Apart from targets, accompanying plans and timeline for achieving the targets, what other component, if any, must be part of the issuers' disclosure on their board diversity policy?
(e)	Do you agree that issuers should be required to disclose in their annual reports as part of the board diversity policy, how the combination of skills, talents, experience and diversity of directors on the Boards serve their needs and plans?

Comments Received

Questions 9(a) and 9(b)

7.1 Almost all respondents agreed that issuers should set and disclose their board diversity policy in their annual reports. The respondents recognised the benefits of a diverse Board, and cited that more impetus is needed to increase issuers' commitment to board diversity. Respondents were also of the view that disclosing the board diversity policy would foster better investor confidence and address the growing shifts by investors, especially institutional investors, towards greater diversity on Boards. One respondent that disagreed commented that this will add hardship to issuers amid COVID-19. Two respondents also suggested that the diversity policy should be expanded to encompass senior management, and one respondent suggested that this should expand to company-wide level.

7.2 Almost all respondents agreed that gender is a visible form of diversity that is widely tracked by investors globally and should be encapsulated within issuers' board diversity policy. Some respondents also expressly acknowledged the benefits of a gender-diverse Board.

7.3 Respondents also flagged that gender should not be the only aspect of diversity considered; one respondent suggested that issuers be given the flexibility to determine the diversity factors that contribute to their strategic objectives. Other aspects of diversity suggested by respondents include those identified in the CG Code.

Question 9(c)

7.4 Majority of respondents supported the proposal that alongside a board diversity policy, issuers should also disclose their targets for achieving the stipulated diversity, accompanying plans and timeline for achieving the targets. Respondents expressed that these increased disclosures on diversity would allow issuers to better communicate with investors on their intentions on board diversity as well as measure their subsequent progress and achievements. Respondents also noted that it will help reinforce issuers' accountability in their commitment to enhance board diversity. Two respondents provided that targets should be structured in a way to convey issuers' ongoing efforts to achieve board diversity objectives, and set more stretch targets.

7.5 Generally, respondents that disagreed were concerned that issuers may adopt a 'tick the box' approach and appoint directors for the sole purpose of meeting stipulated targets, thereby limiting the possibility to hire the most suitable candidates.

7.6 On the other hand, some respondents opined that targets should be measurable, with suggestions from three respondents that SGX should impose specific targets, such as a minimum of 20% to 30% of female representation on the Board by the end of 2025.

7.7 In addition, some respondents suggested that issuers should provide annual updates on their progress towards achieving the targets within the timelines. Should issuers face challenges in meeting the stipulated targets within the relevant timelines, they should also provide an explanation and their plans to overcome these challenges.

Question 9(d)

7.8 SGX received a myriad of suggestions on components that should be a part of issuers' disclosure on board diversity. These include disclosures relating to: (a) a board skills matrix to illustrate the mix of skills and diversity that the Board currently has or desires; (b) search processes for appointment of directors, including whether external facilitators were used to identify potential directors; (c) initiatives or investments channelled towards achieving board diversity, including steps taken to broaden the skill set of female employees to prepare them for directorship; (d) existing board diversity data; and (e) gender pay comparison.

Question 9(e)

7.9 SGX received strong support for issuers to disclose, in their annual reports as part of the board diversity policy, how the combination of skills, talents, experience and diversity of directors on the Boards serves their needs and plans. Respondents consider that this information will provide investors and other stakeholders with more transparency on whether the Board is equipped with the requisite skills, talents, experience and diversity to serve the best interest of the issuer. However, these respondents stressed that for the information to be meaningful, issuers should not provide boilerplate disclosures.

7.10 Of the respondents that disagreed, two respondents were concerned that the outcome may be subjective disclosures that may not necessarily add value (as opposed to setting specific targets, for example). One respondent commented that the format of disclosure should not be too prescriptive, and the diversity of the Board may be gleaned from the profiles of the directors typically contained in annual reports.

SGX's Response

Questions 9(a) and 9(b)

7.11 In view of the strong support to require issuers to set and disclose their board diversity policy in their annual reports, with gender specified as an aspect of diversity that should be encapsulated within issuers' board diversity policy, SGX will proceed with the amendments.

7.12 On the comment that this may add hardship to issuers amid COVID-19, SGX highlights that the requirement is one of disclosure. Further, the CBD has highlighted that COVID-19 has shown the need for greater diversity. In particular, COVID-19-induced uncertainty will continue to affect companies for some time to come; companies will need to demonstrate capabilities in the Board to enable continued success during times of heightened uncertainty, and having board diversity provides the broad-based judgment of risks and opportunities that is needed.

7.13 The theme in the range of enhancements proposed is on the governance structure, to ensure that directors are equipped to strategically steer issuers in the right direction. The Core ESG Metrics recommends that issuers should disclose senior management diversity. However, if diversity at senior management, or company, level is considered to be a material ESG factor, issuers should make the relevant disclosures as part of their sustainability reporting.

7.14 SGX recognises that apart from gender, there may be other aspects of diversity, including those highlighted by respondents, that are important. The CG Code states that directors, as a group, should provide the appropriate balance and mix of skills, knowledge and experience, among other aspects of diversity.[11] The Sustainability Reporting Guide also states that gender, skill and experience have been highlighted as diversity indicators material to business sustainability. In the inaugural Singapore Board Diversity Index that SID launched last year together with Willis Towers Watson, eight aspects of board diversity were identified: age, gender, industry expertise, domain or functional expertise, tenure, board independence, cultural ethnicity and international experience.[12] Cybersecurity expertise may also increasingly be important given the prevalence of the use of electronic communications in business. In addition to gender, issuers should consider other aspects of diversity relevant to their business and strategy. Accordingly, SGX will provide that issuers must maintain a board diversity policy that addresses gender, skills and experience and any other relevant aspects of diversity.

Question 9(c)

7.15 SGX notes the broad support for issuers to disclose, in their annual reports, their targets for achieving the stipulated diversity, accompanying plans, and timeline for achieving the targets. SGX will therefore proceed with the amendments.

7.16 In relation to the concerns that the requirement will cause issuers to lose suitable candidates, SGX wishes to highlight that the contribution of a diverse board to corporate value creation should not be disregarded; as emphasised in the CG Code, diversity of thought and background would enable the Board to make decisions in the issuer's best interest. In response to the feedback for more specific targets, SGX notes that the CBD has set targets for issuers to achieve 25% of women on Board by 2025 and 30% by end 2030, to which issuers may refer when determining the targets and timeline most appropriate for them. Individual Boards should determine the appropriate targets for the issuer and address any question raised regarding the targets.

7.17 To provide more visibility to investors and other stakeholders, SGX will additionally require issuers to update on their progress towards achieving the targets within the timelines.

Question 9(d)

7.18 Any appointment of a new director must be immediately announced, in the form provided in Appendix 7.4.1 of the Mainboard Rules and Appendix 7F of the Catalist Rules ("**Announcement Template**"). SGX notes that the Announcement Template presently requires the Board to provide its comments on the specific appointment (including rationale, selection criteria, and the search and nomination process). SGX will expand this to expressly include board diversity considerations.

7.19 SGX does not otherwise intend, at this juncture, to be overly prescriptive on other aspects associated with board diversity that issuers should be required to provide disclosure on, for example, to require issuers to disclose the board skills matrix or its approach to refreshing the Board. Issuers should engage with their stakeholders to inform themselves of their stakeholders' needs.

[11] Provision 2.4 of the CG Code.
[12] SID and Willis Towers Watson, "Singapore Board Diversity Index" (16 September 2020).

Question 9(e)

7.20 In view of the strong support, SGX will proceed to require all issuers to disclose, in their annual reports as part of the board diversity policy, how the combination of skills, talents, experience and diversity of directors on the Boards serves their needs and plans.

7.21 Issuers have the flexibility to decide on the form of the disclosure. Nevertheless, SGX wishes to highlight that the description should be specific to the issuer's Board composition and take into account its current plan and future strategy.

7.22 To summarise, the Listing Rules will require issuers to have in place a board diversity policy <u>that addresses gender, skills and experience and any other relevant aspects of diversity</u>. Issuers must also disclose, in its annual report: (a) the board diversity policy; (b) targets for achieving the stipulated diversity, accompanying plans and timeline for achieving the targets; (c) progress towards achieving the targets within the timelines; and (d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

8 Implementation

Question 10: Implementation

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

Comments Received

8.1 SGX received majority support for the proposal that issuers be required to adopt these enhancements for their sustainability reports and annual reports for financial years commencing on or after 1 January 2022. These respondents considered the implementation timeline to be reasonable.

8.2 Respondents that disagreed commented that in view of the range of enhancements proposed in the Consultation, issuers may require more time to build-up internal resources and conduct trainings. Some of the respondents suggested that the amendments should be introduced in a phased approach. Respondents were mixed on the amendments that they consider should be phased, ranging from all amendments to be phased in, to specific amendments – climate reporting, assurance of sustainability reports, and directors' training on sustainability – to be phased in.

8.3 Two respondents consider that the implementation timeline should be extended by one year. On the other hand, two respondents disagreed on the basis that the implementation timeline is too slow.

SGX's Response

8.4 On the suggestions for a phased approach, the Sustainability Reporting Guide provides that compliance with the TCFD Recommendations may take place progressively. The Sustainability Reporting Guide also contain an illustration of a possible phased approach to climate reporting. SGX plans to provide further reporting guidance and organise capability building sessions to assist issuers in their preparation for climate reporting.

8.5 On external assurance, issuers have the flexibility whether to undertake external assurance of their sustainability reports. On internal reviews conducted by internal audit functions, issuers may incorporate the review of the sustainability reporting processes into its internal audit plan for an audit cycle, which may span more than one year.

8.6 On training, issuers have the flexibility of utilising the training provided by SID or any other appropriate service provider that SGX prescribes. The training may be conducted any time during their financial years commencing on or after 1 January 2022, as issuers need only confirm that all of their directors have attended the mandatory training on sustainability in the subsequent first sustainability report issued following the amendments to the Listing Rules (or provide the nominating committee's assessment if training is deemed not to be required for the directors).

8.7 Accordingly, SGX will proceed to require issuers to adopt the enhancements for their sustainability reports and annual reports for financial years commencing on or after 1 January 2022.

III Implementation of Amendments to Listing Rules

1 Implementation

1.1 The amendments to the Listing Rules (including the Sustainability Reporting Guide) will take effect from 1 January 2022.

Appendix 1 Respondents to the Consultation

SGX received comments from 79 respondents on the Consultation, of which 22 requested confidentiality. The 57 respondents who agreed to be named are:

1. Aidan Mock
2. Arisaig Partners
3. Asia Securities Industry & Financial Markets Association
4. Asian Corporate Governance Association
5. Ben Chester Cheong
6. Blackrock
7. BoardAgender
8. Boardroom Corporate & Advisory Services Pte Ltd
9. CapitaLand Investment
10. Carbon Disclosure Project
11. CarbonCare Asia Pte. Ltd.
12. CFA Society Singapore, CFA Institute
13. CGI Glass Lewis Pty Ltd
14. Chartered Secretaries Institute of Singapore
15. City Developments Ltd
16. Climate Conversations Limited
17. Council for Board Diversity
18. CPA Australia
19. DBS Bank
20. Deloitte and Touche Business Advisory Pte Ltd
21. Engeco Pte Ltd
22. Environmental Resources Management (S) Pte Ltd
23. ERC Equipoise Pte Ltd
24. Ernst & Young LLP
25. Fidelity International
26. Global Real Estate Sustainability Benchmarks
27. Global Reporting Initiative
28. Hong Leong Asia Ltd.
29. Institute of Singapore Chartered Accountants
30. International Capital Market Association
31. Kate Ansbro
32. Kuan Li Li
33. Lepak in SG
34. Mak Yuen Teen
35. Melissa Low
36. Moody's ESG Solutions Group
37. MSCI ESG Research LLC
38. Nexia TS Risk Advisory Pte Ltd
39. Nikko Asset Management Asia Ltd
40. PricewaterhouseCoopers LLP
41. Prudential Assurance Company Singapore (Pte) Limited
42. Real Estate Investment Trust Association of Singapore
43. Royal Institution of Chartered Surveyors
44. SAC Capital Private Limited
45. Schroders PLC
46. Singapore Environmental Council
47. Singapore Institute of Directors
48. Singapore Telecommunications Limited

49. Temasek Holdings (Private) Limited
50. The Green Swan Initiative
51. The Institute of Internal Auditors Singapore
52. TÜV SÜD
53. Virginia Harper Ho
54. Willis Towers Watson
55. WongPartnership LLP
56. Worldwide Generation
57. WWF Singapore

Appendix 2 Amendments to Mainboard Rules

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

Chapter 7 Continuing Obligations

Part III Equity Securities — Periodic Reports

Annual Report

710A

(1) An issuer must maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity.

(2) An issuer must describe in its annual report its board diversity policy, including the following:

(a) the issuer's targets to achieve diversity on its board;

(b) the issuer's accompanying plans and timelines for achieving the targets;

(c) the issuer's progress towards achieving the targets within the timelines; and

(d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Sustainability Report

711A

An issuer must issue a sustainability report for its financial year, no later than ~~5~~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.

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).

(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.

Part IV Equity Securities — Other Obligations

Directors and Management

720

(7) An issuer must have all directors undergo training on sustainability matters as prescribed by the Exchange. If the nominating committee is of the view that training is not required because the director has expertise in sustainability matters, the basis of its assessment must be disclosed.

Appendix 7.4.1 Announcement of Appointment

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).

Practice Note 2.3 Training for Directors with No Prior Experience

Schedule 1

Training Provider	**Mandatory Training**
Singapore Institute of Directors	Listed Entity Directors Programme
	LED 1 – Listed Entity Director Essentials
	LED 2 – Board Dynamics
	LED 3 – Board Performance
	LED 4 – Stakeholder Engagement
	Environmental, Social and Governance Essentials
	The First-Time Director must also attend the modules relevant to his appointment on the board of the ~~Issuer~~issuer. The modules are:
	LED 5 – Audit Committee Essentials
	LED 6 – Board Risk Committee Essentials
	LED 7 – Nominating Committee Essentials
	LED 8 – Remuneration Committee Essentials

Practice Note 7.6 Sustainability Reporting Guide

1. Introduction

1.1 Listing Rule 711A requires every ~~listed~~ 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 ~~7~~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 ~~fulfil these obligations in a responsible and sustainable manner~~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 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 ~~("**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 and quality of management.

2.4 To achieve the additional transparency which encourages efficiency and innovation, SGX-ST requires each ~~listed~~ 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. ~~The Board has ultimate responsibility for the issuer's sustainability reporting.~~ 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 ~~should~~must include the primary components as set out in Listing Rule 711B ~~and paragraph 4.1 of this Guide,~~ 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).

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 view. 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.

~~**Performance measurement system**~~

~~3.5 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.~~

Global standards and comparability

~~3.6~~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 ~~listed~~ issuers as well as investors. The individual issuer should take care that its disclosure efforts not be considered inadequate by stakeholders. 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

~~3.7~~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.

~~**Independent assurance**~~

~~3.8~~ ~~Independent assurance increases stakeholder confidence in the accuracy and completeness of the sustainability information disclosed. 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. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. The issuer should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects of its report even in its initial years, expanding coverage in succeeding years.~~

4. Contents of Sustainability Reporting

Primary components

4.1 The sustainability report should comprise the following primary components:

(~~i~~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 ~~considering~~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 risks and opportunities, consistent with the TCFD recommendations.

(~~ii~~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.

(~~iii~~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.

(~~iv~~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 based on the TCFD recommendations. 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).

(~~v~~f) **Board statement.** The sustainability report should contain a statement of the Board ~~on the Board having~~that it has considered sustainability issues ~~as part of its strategic formulation~~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, ~~as well as~~ product responsibility, anti-corruption, ~~and~~ 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, ~~skill~~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 ~~diversity has been addressed in~~ other sections of the annual report sufficiently address stakeholders' interest in diversity, the issuer may refer to those sections. ~~If diversity 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 actions on its website.~~

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.

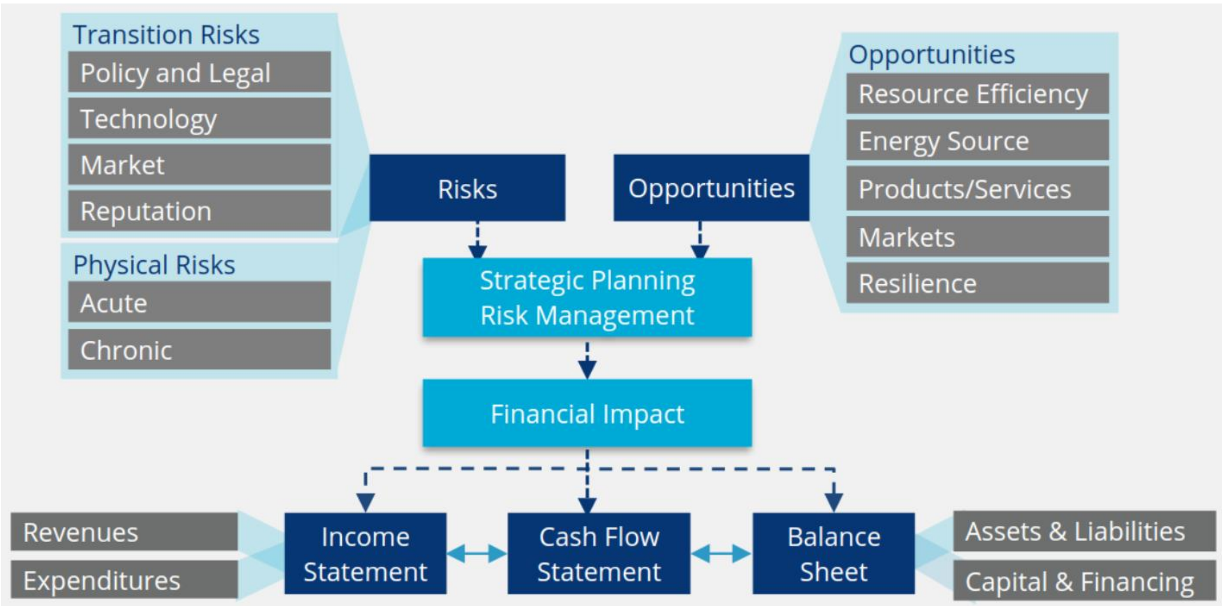
4.8 Securities markets promote the ready availability of decision-useful information so that it may be reflected in the price discovery process. In doing so, exchanges facilitate the allocation of capital to its most efficient use and the transfer of risks to those most willing to bear them.

4.9 The issuer should provide climate-related disclosures, 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:

For All Financial Years Commencing	**Industry (as identified by TCFD)**
1 January 2023	Financial Agriculture, Food and Forest Products Energy
1 January 2024	Materials and Buildings Transportation

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



Source: TCFD

4.11 The TCFD developed recommended disclosures across four pillars: governance, strategy, risk management, and metrics and targets. 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

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

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:

TCFD Recommendations	**Listing Rules and Guide**	
Governance		
Describe the board's oversight of climate-related risks and opportunities.	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.	Listing Rule 711B(1)(e) and paragraph 4.1(f) of this Guide
Describe management's role in assessing and managing climate-related risks and opportunities.	The sustainability report should describe the roles of the management in the governance of sustainability issues.	Listing Rule 711B(1)(e) and paragraph 4.1(f) of this Guide

Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The sustainability report should contain the material ESG factors, which are 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.	Listing Rule 711B(1)(a) and paragraph 4.18 of this Guide
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The sustainability report should describe both the reasons for and the process of selection of the material ESG factors, taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders.	Paragraph 4.1(a) of this Guide
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The sustainability report should describe how resilient the issuer's 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.	Paragraph 4.15 of this Guide
Risk Management		
Describe the organisation's processes for identifying and assessing climate-related risks.	The issuer is expected to report the criteria and process by which it has made its selection with reference to how the material ESG factors contribute to the creation of value for the issuer.	Paragraph 4.2 of this Guide
Describe the organisation's processes for managing climate-related risks.	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.	Paragraph 4.26 of this Guide
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	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	Paragraph 4.21 of this Guide

	management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.	
Metrics and Targets		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	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.	Paragraph 4.27 of this Guide
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	The sustainability report should provide climate-related disclosures, consistent with the TCFD recommendations. 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.	Listing Rule 711B(1)(aa) and paragraph 4.14 of this Guide
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against 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. The sustainability report should set out the issuer's 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.	Listing Rules 711B(1)(b) and 711B(1)(c) and paragraphs 4.1(c) and 4.1(d) of this Guide

4.13 TCFD has issued 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 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).

4.15 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.

4.16 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.

4.17 The SSE Model Guidance 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.

Materiality

~~4.7~~4.18 As guidance, sustainability reporting relates to the most important ~~environmental, social and governance~~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.

~~4.8~~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.

~~4.9~~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.

~~4.10~~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 ~~account for material ESG factors~~integrate ESG risk management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.

~~4.11~~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

~~4.12~~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.

~~4.13~~4.24 In assessing materiality of the ESG factors on which it reports, the issuer may consider:

(~~i~~a) Value drivers

(~~ii~~b) Stakeholder engagement

(~~iii~~c) Risk management

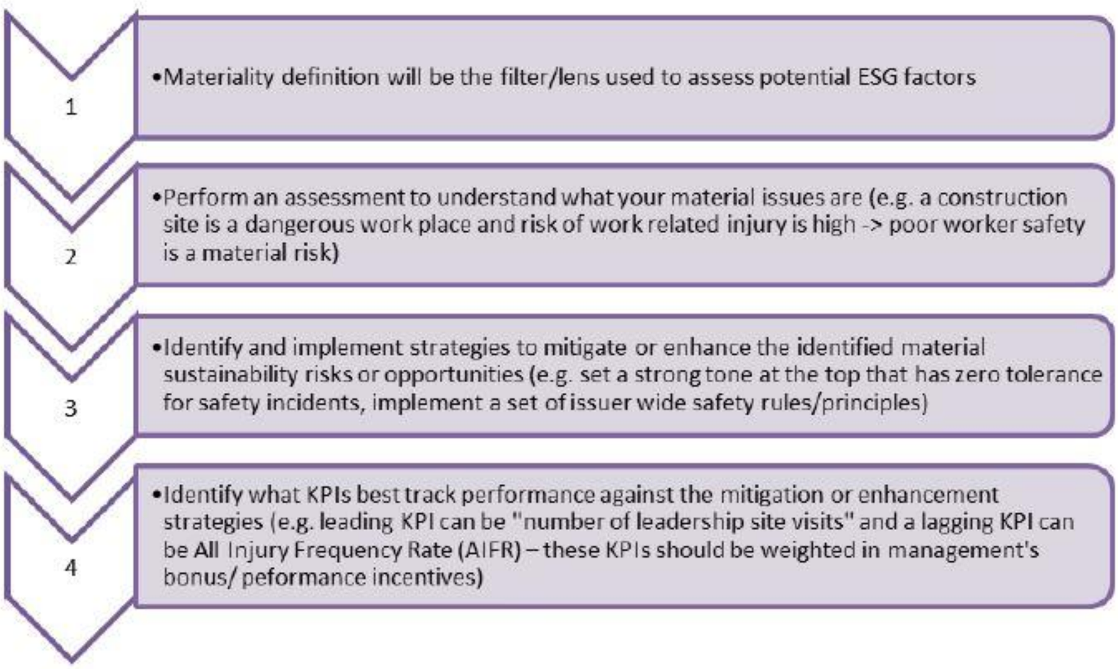
(~~iv~~d) External factors, for example sector, geography, economics, market, social, environment

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

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

(~~vii~~g) Timeframe of these considerations

~~**Figure 1: Order of considerations and determination of the material ESG factors**~~ ***[Deleted]***



~~4.14~~4.25 The issuer may use the following Materiality Determination Process: ~~tools (templates) and step-by-step guidance (~~Identify — Rate — Prioritise — Validate~~)~~. ~~These tools are guidance and not mandatory.~~ The issuer should disclose the outcomes of this process ~~but can use its discretion as to whether it would like to disclose any part of the tools~~ in ~~their~~its sustainability report.

(~~i~~a) STEP 1: IDENTIFY. The issuer ~~can use this template to~~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.

~~**Template 1: Issue identifications template**~~

~~**XX Issuer**~~		~~**Issue 1**~~	~~**Issue 2 etc.**~~
~~**INDUSTRY**~~	~~Construction~~		
~~**COUNTRY OF OPERATION**~~	~~Singapore, Malaysia, China, Indonesia~~		
~~**NO. OF EMPLOYEES**~~	~~XXX (this is only permanent employees which make up approx. 40% of workforce)~~		
~~**MATURITY**~~	~~Fairly good. Has a 2014 Sustainability Report.~~		
~~**WHAT**~~	~~What is the issue? (What should the issuer be reporting)~~	~~Worker safety~~	~~Diversity~~

~~**WHY**~~	~~Why is it material?~~	~~Construction sites, working at heights. Labour intensive. Exposure risk is high.~~	~~Xxx~~
~~**RESPOND**~~	~~How is/should the issuer strategically respond to address the issue?~~	~~Operational decisions made by Safety Forum. Issuer has 5 cardinal rules for safety and management's performance bonus linked to leading safety targets.~~	~~Xxx~~
~~**MEASURE**~~	~~How is the issuer measuring performance in this area?~~	~~All Injury Frequency Rate (AIFR)~~ ~~Fatalities~~ ~~Number of leadership site visits~~	~~Xxx~~
~~**AVAILABILITY**~~	~~How easy will it be to collect?~~	~~Yes- reported for regulatory compliance~~	~~Xxx~~
~~**TARGET**~~	~~What are/should the targets be? (benchmark)~~	~~All Injury Frequency Rate (AIFR) target at 9~~ ~~Number of leadership site visits: 6~~	~~Xxx~~
~~**STAKEHOLDERS**~~	~~Which stakeholder group is impacted or impacts the business~~	~~Employees, Regulator, Shareholder~~	~~Xxx~~
~~**VALUE CHAIN**~~	~~Is the impact inside or outside the organisation~~	~~Inside~~	~~Xxx~~

~~*Source: KPMG*~~

(~~ii~~b) STEP 2: RATE. Once the issues of the issuer and its subsidiaries have been explored ~~using Template 1~~, 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. ~~The issuer can use Template 2 as a guide.~~

~~**Template 2: Clustering and rating of issues**~~

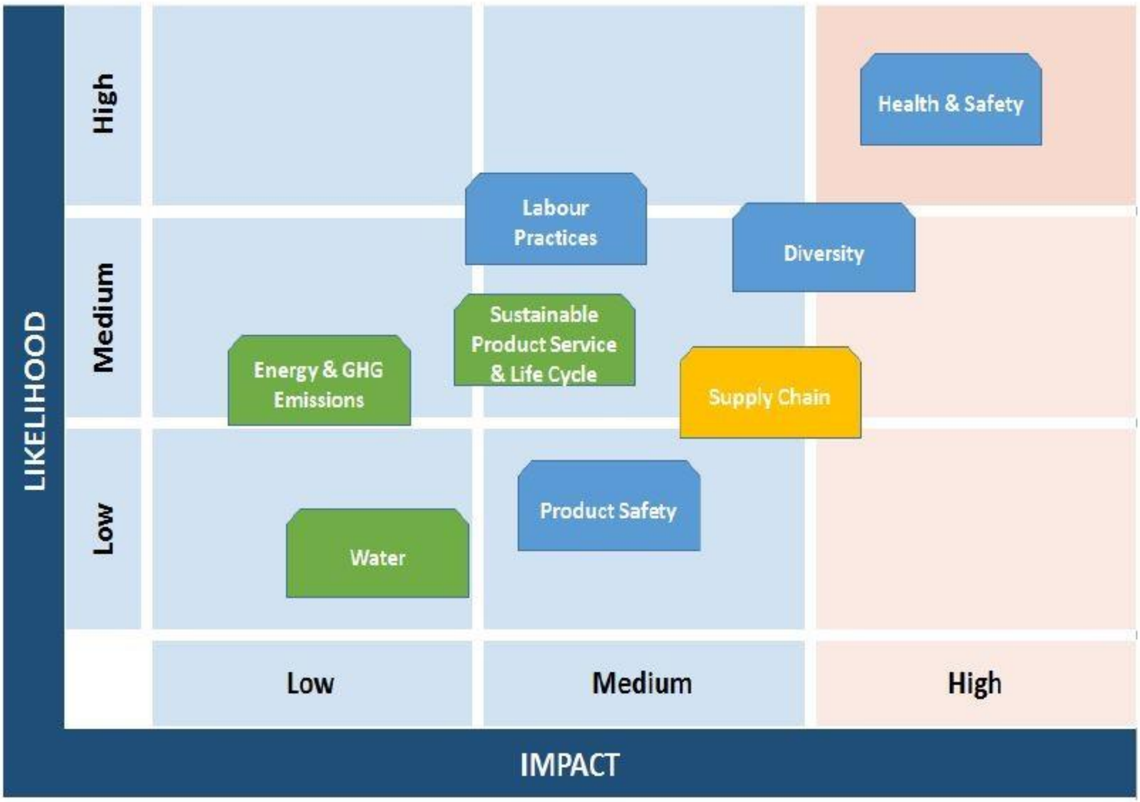
~~**Potential issue clustering and rating**~~							
	~~**Safety and Health**~~	~~**Diversity**~~	~~**Labour Practices**~~	~~**Supply Chain**~~	~~**Climate Change**~~	~~**Water**~~	~~**Etc**~~
~~**Construction**~~							
~~**Subsidiary 1**~~	~~√~~	~~√~~	~~√~~	~~√~~	~~√~~		

~~**Subsidiary 2**~~	~~√~~	~~√~~	~~√~~	~~√~~	~~√~~	~~√~~	~~√~~
~~**Subsidiary 3**~~	~~√~~	~~√~~	~~√~~				~~√~~
~~**Xxx**~~	~~√~~		~~√~~	~~√~~		~~√~~	
~~**Xxx**~~	~~√~~	~~√~~		~~√~~	~~√~~		
~~**Chemical**~~							
~~**Xxx**~~	~~√~~	~~√~~	~~√~~		~~√~~	~~√~~	~~√~~
~~**Xxx**~~	~~√~~	~~√~~	~~√~~		~~√~~	~~√~~	~~√~~

~~*Source: KPMG*~~

(~~iii~~c) STEP 3: PRIORITISE. Once the issues of the issuer and its subsidiaries have been clustered and rated~~ using Template 2~~, the issuer will need to prioritise them using a matrix~~. The following matrix plots the potential issues~~ based on likelihood and impact.

~~**Template 3: Material factors matrix**~~ ***[Deleted]***



~~*Source: KPMG*~~

(~~iv~~d) STEP 4: VALIDATE. Once the issuer has prioritised its factors, they need to be internally validated and signed off by leadership.~~ The factors in the top right are the "critical factors" (if the issuer gets these factors wrong — business is at risk; conversely, if the issuer gets these factors right – business will benefit).~~

Policies, practices and performance

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.

4.27 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.

4.28 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.

4.29 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

~~4.15~~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.

~~4.16~~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**") 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.

~~4.17~~4.32 ~~The issuer may consider provisions of the Climate Disclosure Standards Board or the Carbon Disclosure Project to be particularly relevant for industries sensitive to environmental matters, such as mining, minerals and agriculture, while standards of the Roundtable on Sustainable Palm Oil may be the choice of an issuer in that industry.~~For climate-related disclosures, the issuer should provide such disclosures consistent with the TCFD recommendations. ~~More than one sustainability reporting framework may be chosen as relevant to the issuer's business.~~Some issuers have used the Science Based Targets initiative to guide their GHG emissions reduction targets.

~~4.18~~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

~~4.19~~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. ~~Beyond a year~~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 ~~expectation~~expectations can be formed and efforts planned.

Stakeholder engagement

~~4.20~~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

~~4.21~~4.36 Where holding companies and operating subsidiaries are both listed ~~issuers having~~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.

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 issued by The Institute of Internal Auditors.

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, the Singapore Standards on Assurance Engagement (SSAE) 3000, 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 and key findings.

~~5~~6. Form and Frequency of Sustainability Reporting

~~5.1~~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 within ~~5~~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.

~~5.2~~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.

~~5.3~~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.

~~6~~7. Phased Approach

~~6.1 Sustainability reporting takes effect for any financial year ending on or after 31 December 2017. Issuers who do sustainability reporting say that employees gain clarity and focus around common company priorities. Smaller issuers like larger ones, already manage their sustainability issues as part of risk management and good business practice. They need only take the next step to articulate what they do in sustainability terms. The sooner they commence sustainability reporting, the sooner they can benefit from doing so. Early adoption is encouraged.~~

~~6.2~~ ~~While all issuers will begin sustainability reporting for any financial year ending on or after 31 December 2017, they may differ in the speed at which they progress in quality and depth.~~

~~6.3~~7.1 For the first year of sustainability reporting, the issuer 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.

~~6.4~~7.2 An example of a phased implementation approach is illustrated in the table below:

Illustration of Possible Phased Approach

Primary Components	Adoption		
	Year 1	**Year 2**	**Year 3**
Material ESG ~~Factors~~factors ~~(identified through process in paragraph 4.14 of this Guide, defined as, for example, high impact and high likelihood)~~	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 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	Metrics used for assessment Impacts in more quantitative terms Scope 3 GHG emissions Targets in qualitative terms Conducted qualitative scenario analysis	Scenario analysis with more quantitative outcomes Targets in quantitative terms
Policies, practices and performance	Minimal description of how issuer manages material factors	Description includes specific policies, practices per material factor	Description includes specific policies, practices per material factor

	No previous targets for comparison of performance One metric per factor Plans for improved reporting in future	More quantitative metrics and qualitative description per factor Comparison against previously disclosed qualitative commitments and targets with explanation of overachievement and shortfall	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~~reporting ~~Framework~~framework	GRI TCFD	GRI TCFD	GRI TCFD
Board ~~Statement~~statement and associated governance structure for sustainability practices	Complied	Complied	Complied

~~6.5~~ ~~For an issuer listed on or after 1 January 2017, sustainability reporting will be required from its first full financial year of listing.~~

~~7~~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 ~~environmental, social and governance~~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 3 Amendments to Catalist Rules

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

Chapter 7 Continuing Obligations

Part III Equity Securities — Periodic Reports

Annual Report

710A

(1) An issuer must maintain a board diversity policy that addresses gender, skills and experience, and any other relevant aspects of diversity.

(2) An issuer must describe in its annual report its board diversity policy, including the following:

(a) the issuer’s targets to achieve diversity on its board;

(b) the issuer’s accompanying plans and timelines for achieving the targets;

(c) the issuer’s progress towards achieving the targets within the timelines; and

(d) a description of how the combination of skills, talents, experience and diversity of its directors serves the needs and plans of the issuer.

Sustainability Report

711A

An issuer must issue a sustainability report for its financial year, no later than ~~5~~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.

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).

(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.

Part IV Equity Securities — Other Obligations

Directors and Management

720

(6) An issuer must have all directors undergo training on sustainability matters as prescribed by the Exchange. If the nominating committee is of the view that training is not required because the director has expertise in sustainability matters, the basis of its assessment must be disclosed.

Appendix 7F Announcement of Appointment

The Board's comments on this appointment (including rationale, selection criteria, board diversity considerations, and the search and nomination process).

Practice Note 4D Training for Directors with No Prior Experience

Schedule 1

Training Provider	**Mandatory Training**
Singapore Institute of Directors	Listed Entity Directors Programme
	LED 1 – Listed Entity Director Essentials
	LED 2 – Board Dynamics
	LED 3 – Board Performance
	LED 4 – Stakeholder Engagement
	Environmental, Social and Governance Essentials
	The First-Time Director must also attend the modules relevant to his appointment on the board of the ~~Issuer~~issuer. The modules are:
	LED 5 – Audit Committee Essentials
	LED 6 – Board Risk Committee Essentials
	LED 7 – Nominating Committee Essentials
	LED 8 – Remuneration Committee Essentials

Practice Note 7F Sustainability Reporting Guide

1. Introduction

1.1 Listing Rule 711A requires every ~~listed~~ 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 ~~7~~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 ~~fulfil these obligations in a responsible and sustainable manner~~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 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 ~~("**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 and quality of management.

2.4 To achieve the additional transparency which encourages efficiency and innovation, SGX-ST requires each ~~listed~~ 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. ~~The Board has ultimate responsibility for the issuer's sustainability reporting.~~ 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 ~~should~~must include the primary components as set out in Listing Rule 711B ~~and paragraph 4.1 of this Guide,~~ 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).

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 view. 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.

~~**Performance measurement system**~~

~~3.5~~ ~~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.~~

Global standards and comparability

~~3.6~~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 ~~listed~~ issuers as well as investors. The individual issuer should take care that its disclosure efforts not be considered inadequate by stakeholders. 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

~~3.7~~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.

~~**Independent assurance**~~

~~3.8 Independent assurance increases stakeholder confidence in the accuracy and completeness of the sustainability information disclosed. 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. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. The issuer should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects of its report even in its initial years, expanding coverage in succeeding years.~~

4. Contents of Sustainability Reporting

Primary components

4.1 The sustainability report should comprise the following primary components:

(~~i~~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 ~~considering~~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 risks and opportunities, consistent with the TCFD recommendations.

(~~ii~~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.

(~~iii~~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.

(~~iv~~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 based on the TCFD recommendations. 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).

(~~v~~f) **Board statement.** The sustainability report should contain a statement of the Board ~~on the Board having~~that it has considered sustainability issues ~~as part of its strategic formulation~~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, ~~as well as~~ product responsibility, anti-corruption, ~~and~~ 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, ~~skill~~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 ~~diversity has been addressed in~~ other sections of the annual report sufficiently address stakeholders' interest in diversity, the issuer may refer to those sections. ~~If diversity 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 actions on its website.~~

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.

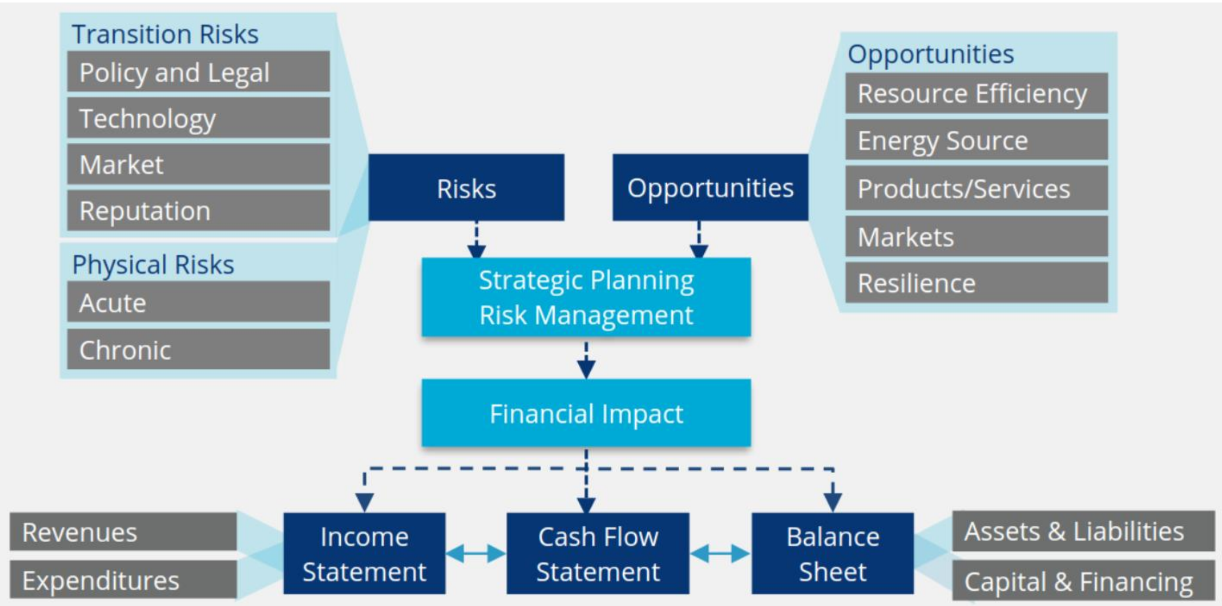
4.8 Securities markets promote the ready availability of decision-useful information so that it may be reflected in the price discovery process. In doing so, exchanges facilitate the allocation of capital to its most efficient use and the transfer of risks to those most willing to bear them.

4.9 The issuer should provide climate-related disclosures, 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:

For All Financial Years Commencing	**Industry (as identified by TCFD)**
1 January 2023	Financial Agriculture, Food and Forest Products Energy
1 January 2024	Materials and Buildings Transportation

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



Source: TCFD

4.11 The TCFD developed recommended disclosures across four pillars: governance, strategy, risk management, and metrics and targets. 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

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

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:

TCFD Recommendations	**Listing Rules and Guide**	
Governance		
Describe the board's oversight of climate-related risks and opportunities.	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.	Listing Rule 711B(1)(e) and paragraph 4.1(f) of this Guide
Describe management's role in assessing and managing climate-related risks and opportunities.	The sustainability report should describe the roles of the management in the governance of sustainability issues.	Listing Rule 711B(1)(e) and paragraph 4.1(f) of this Guide

Strategy		
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The sustainability report should contain the material ESG factors, which are 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.	Listing Rule 711B(1)(a) and paragraph 4.18 of this Guide
Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The sustainability report should describe both the reasons for and the process of selection of the material ESG factors, taking into consideration their relevance or impact to the business, strategy, financial planning, business model and key stakeholders.	Paragraph 4.1(a) of this Guide
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The sustainability report should describe how resilient the issuer's 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.	Paragraph 4.15 of this Guide
Risk Management		
Describe the organisation's processes for identifying and assessing climate-related risks.	The issuer is expected to report the criteria and process by which it has made its selection with reference to how the material ESG factors contribute to the creation of value for the issuer.	Paragraph 4.2 of this Guide
Describe the organisation's processes for managing climate-related risks.	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.	Paragraph 4.26 of this Guide
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	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	Paragraph 4.21 of this Guide

	management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.	
Metrics and Targets		
Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	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.	Paragraph 4.27 of this Guide
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	The sustainability report should provide climate-related disclosures, consistent with the TCFD recommendations. 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.	Listing Rule 711B(1)(aa) and paragraph 4.14 of this Guide
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against 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. The sustainability report should set out the issuer's 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.	Listing Rules 711B(1)(b) and 711B(1)(c) and paragraphs 4.1(c) and 4.1(d) of this Guide

4.13 TCFD has issued 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 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).

4.15 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.

4.16 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.

4.17 The SSE Model Guidance 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.

Materiality

~~4.7~~4.18 As guidance, sustainability reporting relates to the most important ~~environmental, social and governance~~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.

~~4.8~~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.

~~4.9~~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.

~~4.10~~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 ~~account for material ESG factors~~integrate ESG risk management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.

~~4.11~~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

~~4.12~~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.

~~4.13~~4.24 In assessing materiality of the ESG factors on which it reports, the issuer may consider:

(~~i~~a) Value drivers

(~~ii~~b) Stakeholder engagement

(~~iii~~c) Risk management

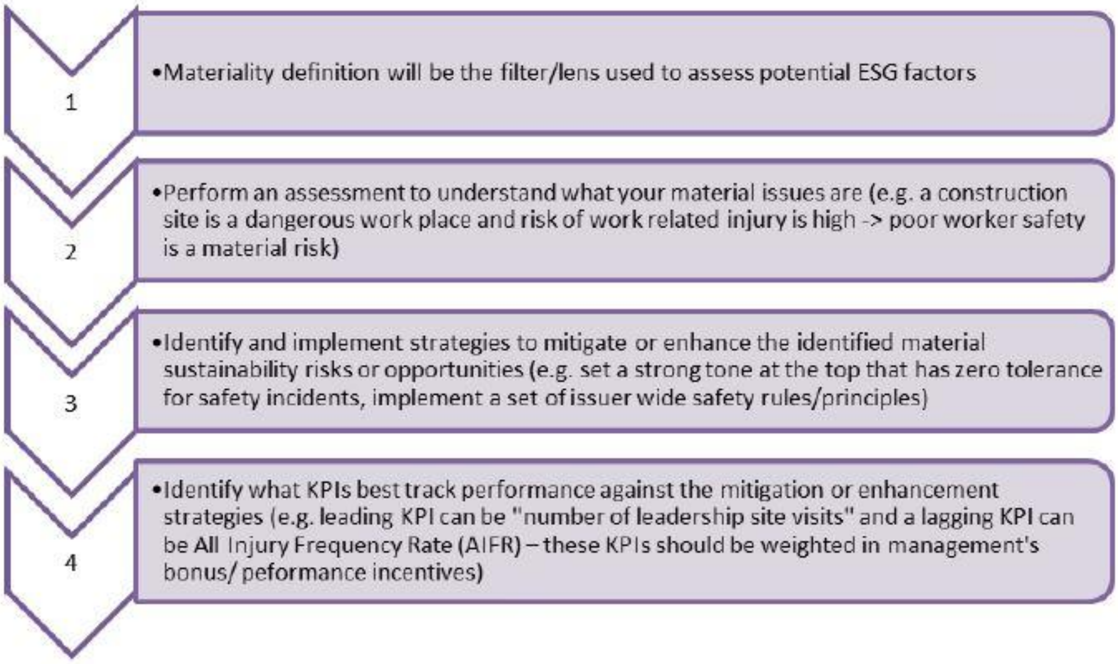
(~~iv~~d) External factors, for example sector, geography, economics, market, social, environment

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

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

(~~vii~~g) Timeframe of these considerations

~~Figure 1: Order of considerations and determination of the material ESG factors~~ *[Deleted]*



~~4.14~~4.25 The issuer may use the following Materiality Determination Process: ~~tools (templates) and step-by-step guidance (~~Identify — Rate — Prioritise — Validate~~)~~. ~~These tools are guidance and not mandatory.~~ The issuer should disclose the outcomes of this process ~~but can use its discretion as to whether it would like to disclose any part of the tools~~ in ~~their~~its sustainability report.

(~~i~~a) STEP 1: IDENTIFY. The issuer ~~can use this template to~~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.

~~Template 1: Issue identifications template~~

~~XX Issuer~~		**~~Issue 1~~**	**~~Issue 2 etc.~~**
~~INDUSTRY~~	~~Construction~~		
~~COUNTRY OF OPERATION~~	~~Singapore, Malaysia, China, Indonesia~~		
~~NO. OF EMPLOYEES~~	~~XXX (this is only permanent employees which make up approx. 40% of workforce)~~		
~~MATURITY~~	~~Fairly good. Has a 2014 Sustainability Report.~~		
~~WHAT~~	~~What is the issue? (What should the issuer be reporting)~~	~~Worker safety~~	~~Diversity~~

~~**WHY**~~	~~Why is it material?~~	~~Construction sites, working at heights. Labour intensive. Exposure risk is high.~~	~~Xxx~~
~~**RESPOND**~~	~~How is/should the issuer strategically respond to address the issue?~~	~~Operational decisions made by Safety Forum. Issuer has 5 cardinal rules for safety and management's performance bonus linked to leading safety targets.~~	~~Xxx~~
~~**MEASURE**~~	~~How is the issuer measuring performance in this area?~~	~~All Injury Frequency Rate (AIFR)~~ ~~Fatalities~~ ~~Number of leadership site visits~~	~~Xxx~~
~~**AVAILABILITY**~~	~~How easy will it be to collect?~~	~~Yes- reported for regulatory compliance~~	~~Xxx~~
~~**TARGET**~~	~~What are/should the targets be? (benchmark)~~	~~All Injury Frequency Rate (AIFR) target at 9~~ ~~Number of leadership site visits: 6~~	~~Xxx~~
~~**STAKEHOLDERS**~~	~~Which stakeholder group is impacted or impacts the business~~	~~Employees, Regulator, Shareholder~~	~~Xxx~~
~~**VALUE CHAIN**~~	~~Is the impact inside or outside the organisation~~	~~Inside~~	~~Xxx~~

~~*Source: KPMG*~~

(~~ii~~b) STEP 2: RATE. Once the issues of the issuer and its subsidiaries have been explored ~~using Template 1~~, 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. ~~The issuer can use Template 2 as a guide.~~

~~**Template 2: Clustering and rating of issues**~~

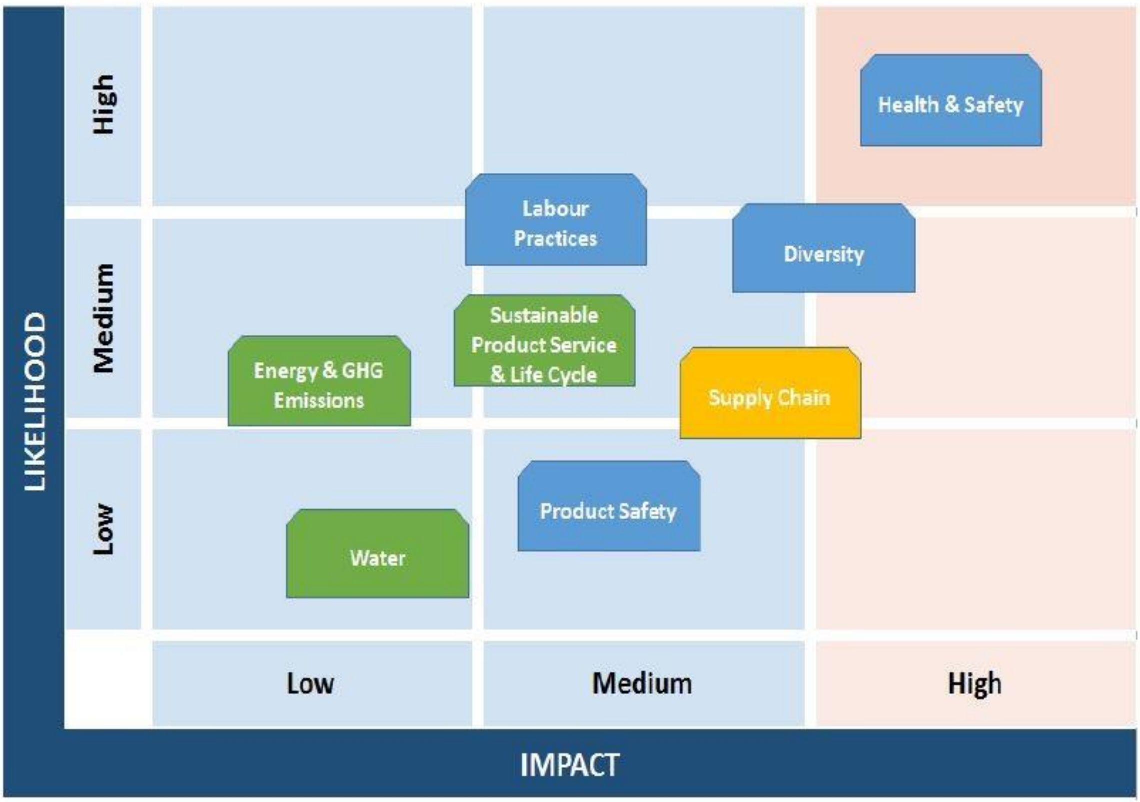
~~**Potential issue clustering and rating**~~							
	~~**Safety and Health**~~	~~**Diversity**~~	~~**Labour Practices**~~	~~**Supply Chain**~~	~~**Climate Change**~~	~~**Water**~~	~~**Etc**~~
~~**Construction**~~							
~~**Subsidiary 1**~~	~~√~~	~~√~~	~~√~~	~~√~~	~~√~~		

~~Subsidiary 2~~	~~✓~~	~~✓~~	~~✓~~	~~✓~~	~~✓~~	~~✓~~	~~✓~~
~~Subsidiary 3~~	~~✓~~	~~✓~~	~~✓~~				~~✓~~
~~Xxx~~	~~✓~~		~~✓~~	~~✓~~		~~✓~~	
~~Xxx~~	~~✓~~	~~✓~~		~~✓~~	~~✓~~		
~~Chemical~~							
~~Xxx~~	~~✓~~	~~✓~~	~~✓~~		~~✓~~	~~✓~~	~~✓~~
~~Xxx~~	~~✓~~	~~✓~~	~~✓~~		~~✓~~	~~✓~~	~~✓~~

~~Source: KPMG~~

(~~iii~~c) STEP 3: PRIORITISE. Once the issues of the issuer and its subsidiaries have been clustered and rated~~ using Template 2~~, the issuer will need to prioritise them using a matrix~~. The following matrix plots the potential issues~~ based on likelihood and impact.

~~Template 3: Material factors matrix~~ *[Deleted]*



~~Source: KPMG~~

(~~iv~~d) STEP 4: VALIDATE. Once the issuer has prioritised its factors, they need to be internally validated and signed off by leadership.~~ The factors in the top right are the "critical factors" (if the issuer gets these factors wrong — business is at risk; conversely, if the issuer gets these factors right – business will benefit).~~

Policies, practices and performance

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.

4.27 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.

4.28 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.

4.29 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

~~4.15~~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.

~~4.16~~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**”) 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.

~~4.17~~4.32 ~~The issuer may consider provisions of the Climate Disclosure Standards Board or the Carbon Disclosure Project to be particularly relevant for industries sensitive to environmental matters, such as mining, minerals and agriculture, while standards of the Roundtable on Sustainable Palm Oil may be the choice of an issuer in that industry.~~For climate-related disclosures, the issuer should provide such disclosures consistent with the TCFD recommendations. ~~More than one sustainability reporting framework may be chosen as relevant to the issuer's business.~~Some issuers have used the Science Based Targets initiative to guide their GHG emissions reduction targets.

~~4.18~~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

~~4.19~~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. ~~Beyond a year~~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 ~~expectation~~expectations can be formed and efforts planned.

Stakeholder engagement

~~4.20~~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

~~4.21~~4.36 Where holding companies and operating subsidiaries are both listed ~~issuers having~~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.

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 issued by The Institute of Internal Auditors.

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, the Singapore Standards on Assurance Engagement (SSAE) 3000, 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 and key findings.

~~5~~6. Form and Frequency of Sustainability Reporting

~~5.1~~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 within ~~5~~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.

~~5.2~~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.

~~5.3~~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.

~~6~~7. Phased Approach

~~6.1 Sustainability reporting takes effect for any financial year ending on or after 31 December 2017. Issuers who do sustainability reporting say that employees gain clarity and focus around common company priorities. Smaller issuers like larger ones, already manage their sustainability issues as part of risk management and good business practice. They need only take the next step to articulate what they do in sustainability terms. The sooner they commence sustainability reporting, the sooner they can benefit from doing so. Early adoption is encouraged.~~

~~6.2~~ ~~While all issuers will begin sustainability reporting for any financial year ending on or after 31 December 2017, they may differ in the speed at which they progress in quality and depth.~~

~~6.3~~7.1 For the first year of sustainability reporting, the issuer 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.

~~6.4~~7.2 An example of a phased implementation approach is illustrated in the table below:

Illustration of Possible Phased Approach

Primary Components	**Adoption**		
	Year 1	**Year 2**	**Year 3**
Material ESG ~~Factors~~factors ~~(identified through process in paragraph 4.14 of this Guide, defined as, for example, high impact and high likelihood)~~	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 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	Metrics used for assessment Impacts in more quantitative terms Scope 3 GHG emissions Targets in qualitative terms Conducted qualitative scenario analysis	Scenario analysis with more quantitative outcomes Targets in quantitative terms
Policies, practices and performance	Minimal description of how issuer manages material factors	Description includes specific policies, practices per material factor	Description includes specific policies, practices per material factor

	No previous targets for comparison of performance One metric per factor Plans for improved reporting in future	More quantitative metrics and qualitative description per factor Comparison against previously disclosed qualitative commitments and targets with explanation of overachievement and shortfall	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~~reporting ~~Framework~~framework	GRI TCFD	GRI TCFD	GRI TCFD
Board ~~Statement~~statement and associated governance structure for sustainability practices	Complied	Complied	Complied

~~6.5~~ ~~For an issuer listed on or after 1 January 2017, sustainability reporting will be required from its first full financial year of listing.~~

~~7~~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 ~~environmental, social and governance~~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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