

Background

Following the public consultation paper issued on 26 August 2021, SGX RegCo had on 15 December 2021 released its roadmap for climate reporting and board diversity disclosures. Requirements on climate reporting are based on the recommendations of the TCFD (Task force for Climate Related Financial Disclosures). TCFD was created by the Financial Stability Board (FSB), an international body monitoring the global financial system and its recommendations are used as guidelines for climate reporting purposes. Key rule changes are as follows:

Key Rule Changes (Effective 1 January 2022)

1 Climate Reporting & Sustainability Reporting

- For FY commencing 2022, all issuers must provide climate reporting on a ‘comply or explain’ basis in their sustainability report.
- All issuers to subject their sustainability report processes to internal review.
- All directors to undergo a one-time training on sustainability.
- All sustainability reports to be issued with annual reports unless issuers have conducted external assurance (within 5 months of financial year).

2 Diversity Policy

- All issuers to have a board diversity policy that addresses:
 - (i) Gender
 - (ii) Skill
 - (iii) Experience
 - (iv) Other relevant aspects of diversity
- In annual reports, all issuers must also describe the board diversity policy and details such as:
 - (i) Diversity targets
 - (ii) plans
 - (iii) Timelines
 - (iv) Progress

Key Rule Changes (Effective FY23, FY24)

3 Climate Reporting

- For FY commencing 2023, issuers in the following industries will be mandatory to provide climate reporting:
 - (i) Financial
 - (ii) Agriculture, food and forest products
 - (iii) Energy
- For FY commencing 2024, issuers in the following industries will be mandatory to provide climate reporting:
 - (i) Materials and buildings
 - (ii) Transportation industries

For Financial Year Commencing	TCFD Identified Industries	Thomson Reuters Sector Classification	Baseline Reporting Practice
1 January 2022 (Calendar year report to be published: 2023)	All issuers 	-	Climate reporting on a ‘comply or explain’ basis
1 January 2023 (Calendar year report to be published: 2024)	Financial 	Banking and Investment Services	Financial, Agriculture and Energy industries to have climate reporting on a mandatory basis.
		Collective Investments	
		Insurance	
	Agriculture 	Applied Resources	All other issuers: Climate reporting on a ‘comply or explain’ basis.
		Food & Beverages	
	Energy 	Energy – Fossil Fuels	
1 January 2024 (Calendar year report to be published: 2025)	Materials & Buildings 	Chemicals	Financial, Agriculture, Energy, Materials & Buildings and Transportation industries to have climate reporting on a mandatory basis.
		Mineral Resources	
		Industrial & Commercial Services	
		Real Estate	
	Transportation 	Automobiles & Auto Parts	All other issuers: Climate reporting on a ‘comply or explain’ basis.
		Transportation	

TCFD's recommendation as a primary component of Sustainability Report (Rule 711B)

Sustainability Report	
711A	
An issuer must issue a sustainability report for its financial year, no later than <u>54 months after the end of the financial year, or where the issuer has conducted external assurance on the sustainability report, no later than 5 months after the end of the financial year.</u>	
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)	<u>climate-related disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures;</u>
(b)	policies, practices and performance;
(c)	targets;
(d)	sustainability reporting framework; and
(e)	<u>Board statement and associated governance structure for sustainability practices.</u>

Extracted from listing rule amendments that are effective 1 Jan 2022. Please click [here](#)

TCFD's Recommendation (Content extracted from Practice Note 7.6 / 7F)

TCFD Recommendations	Listing Rules and Guidelines	
 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 Practice Note 7.6/ 7F or the listing Rules (the "Guide")
Describe the 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 the 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 the 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 the 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 the Guide

TCFD Recommendations	Listing Rules and Guidelines
 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.
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.
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-practiced Enterprise Risk Management ("ERM") process. The issuer should expand the breadth of the assessment to integrate ESG risk management structures into existing ERM structures or apply existing ERM structures to ESG risk management structures.
 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.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions, and the related risks.	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.
Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>The sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified.</p> <p>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.</p> <p>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.</p> <p>Performance should be described in the context of previously disclosed targets.</p>

-(End)-

Useful References:News Release - SGX mandates climate and board diversity disclosures (Please click [here](#))Consultation Paper (Please click [here](#))SGX RegCo's response to Consultation Paper & Rule Amendments (Please click [here](#))**Please Contact or Find us at:**

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