

## 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:
  - Gender
  - Skill
  - Experience
  - Other relevant aspects of diversity
- In annual reports, all issuers must also describe the board diversity policy and details such as:
  - Diversity targets
  - plans
  - Timelines
  - 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:
  - Financial
  - Agriculture, food and forest products
  - Energy
- For FY commencing 2024, issuers in the following industries will be mandatory to provide climate reporting:
  - Materials and buildings
  - Transportation industries

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



#### 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.

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	
 <b>Governance</b>		
Describe the <b>board’s oversight</b> of climate-related risks and opportunities.	The sustainability report <b>should contain</b> 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 <b>management’s role</b> in assessing and managing climate-related risks and opportunities.	The sustainability report <b>should describe</b> the roles of the management in the governance of sustainability issues.	Listing Rule 711B(1)(e) and paragraph 4.1(f) of the Guide
 <b>Strategy</b>		
Describe the <b>climate-related risks and opportunities</b> the organisation has identified over the short, medium, and long Term.	The sustainability report <b>should contain</b> 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 4.1.8 of the Guide
Describe the <b>impact of climate related risks and opportunities</b> on the organisation’s businesses, strategy, and financial planning.	The sustainability report <b>should describe</b> 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 <b>resilience of the organisation’s strategy</b> , taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The sustainability report <b>should describe</b> 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	
 <b>Risk Management</b>		
Describe the <b>organisation's processes for identifying and assessing</b> climate-related risks.	The issuer is expected <b>to report</b> 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 the Guide
Describe the <b>organisation's processes for managing</b> climate-related risks.	The issuer <b>should devise policies and processes</b> to adequately and effectively manage the risks associated with the identified material ESG factors, and describe key features of mitigation.	Paragraph 4.26 of the Guide
Describe how <b>processes for identifying, assessing, and managing</b> climate-related risks are integrated into the organisation's overall risk management.	The issuer should <b>use risk ranking and prioritisation</b> 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.	Paragraph 4.21 of the Guide
 <b>Metrics and Targets</b>		
Disclose the <b>metrics used</b> by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	<b>Describe the targets used</b> by the organisation to manage climate-related risks and opportunities and performance against targets.	Paragraph 4.27 of the Guide
Disclose <b>Scope 1, Scope 2</b> and, if appropriate, <b>Scope 3</b> GHG emissions, and the related risks.	<b>Describe the targets used</b> by the organisation to manage climate-related risks and opportunities and performance against targets.	Listing Rule 711B(1)(aa) and paragraph 4.14 of the Guide
Describe the <b>targets used</b> by the organisation to manage climate-related risks and opportunities and performance against targets.	The sustainability report <b>should set out the issuer's targets</b> 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 the Guide

-(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](#))

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