



News Release

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SGX RegCo charts the way forward on mandatory climate reporting, wants board diversity disclosures

Singapore Exchange Regulation (SGX RegCo) is proposing a roadmap for climate-related disclosures to be made mandatory in issuers' sustainability reports (SRs) amid urgent demand for such information from lenders, investors and other key stakeholders. Other matters SGX RegCo is consulting the public on include requiring assurance of SRs and one-time sustainability training for all directors.

At the same time, SGX RegCo also proposes to step up efforts to enhance board diversity by requiring issuers to have a board diversity policy and provide disclosures on related targets, plans and timelines in annual reports (ARs).

On climate reporting, SGX RegCo wants issuers to make disclosures based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). The TCFD's internationally recognised recommendations will guide companies in providing consistent and decision-useful information for market participants. This is a first step to better prepare issuers for reporting against anticipated global baseline sustainability reporting standards to be developed by the International Financial Reporting Standards Foundation, which build on existing work of leading sustainability reporting organisations including TCFD.

A phased approach to mandatory climate reporting is proposed:

- all issuers to adopt climate reporting on a 'comply or explain' basis for their financial year (FY) commencing in 2022;
- from the FY commencing in 2023 onwards, climate reporting will be mandatory for some sectors of issuers while 'comply or explain' will remain the approach for the others; and
- from the FY commencing in 2024 onwards, more sectors of issuers will adopt mandatory climate reporting with the rest doing so on a 'comply or explain' basis.

In respect of assurance, SGX RegCo proposes to require issuers to subject their SRs to assurance by their internal auditors. The scope should minimally include assurance on whether the data being reported is accurate and complete. Issuers may also choose to have their SRs externally assured through external auditors or an independent assurance services provider.



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To ensure boards have common knowledge of their roles and responsibilities, it is proposed that all directors attend a one-time training on sustainability.

Separately, to assist issuers in providing, and investors in accessing, an aligned set of environmental, social and governance (ESG) data, a list of 27 proposed ESG metrics is being consulted on. While not mandatory, these metrics may be used by issuers in conjunction with their sustainability reporting. We are also consulting on a proposed data portal where investors can access ESG data in a structured format as reported by issuers in accordance with aligned metrics and disclosure requirements.

Additionally, SGX RegCo is seeking feedback on proposals to mandate issuers having in place a board diversity policy and to disclose in their ARs:

- a board diversity policy including targets, accompanying plans and timeline for achieving the stipulated diversity on its board; and
- a description of how the combination of skills, talents, experience and diversity of directors in the board serves the needs and plans of the issuers.

SGX RegCo is also proposing that issuers be required to adopt these enhancements for their sustainability reports and annual reports for financial years beginning on or after 1 January 2022.

“Lenders, insurers and investors increasingly want climate-related information for decision-making. The proposals today are aimed at helping our issuers meet these demands and to build their resilience to climate risks. Some business sectors are more carbon intensive and hence climate risks affect them more significantly compared to others. These should therefore be among the first to make climate disclosures. We are also proposing to codify board diversity disclosures in response to investor requirement,” said Mr Tan Boon Gin, CEO of SGX RegCo.

“Climate risks are of increasing concern to investors. Climate-related disclosures allow companies to demonstrate that they are preparing for the challenges of climate change. I encourage companies to use the opportunity to give stakeholders confidence in the future of their businesses,” said Ms Grace Fu, Minister for Sustainability and the Environment.

“SGX’s proposed roadmap towards mandatory TCFD aligned climate-related disclosures by SGX-listed issuers is a timely one. Globally consistent, comparable and reliable climate-related disclosures will enable market participants to price and manage climate risks more effectively. This will help enhance trust in sustainable investments and expand SGX-listed issuers’ access to the growing pool of global capital directed at sustainability investing. Overall, this is an important step in facilitating Asia’s transition to a low carbon economy,” said Mr Lim Tuang Lee, Assistant Managing Director (Capital Markets), Monetary Authority of Singapore.

The public consultations are open till 27 September 2021 and found here:

<https://www.sgx.com/regulation/public-consultations>

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Singapore Exchange is Asia’s leading and trusted securities and derivatives market infrastructure, operating equity, fixed income, currency and commodity markets to the highest regulatory standards. It also operates a multi-asset sustainability platform, SGX FIRST or Future in Reshaping Sustainability Together (sgx.com/first).

SGX is committed to facilitating economic growth in a sustainable manner leveraging its roles as a key player in the ecosystem, a business, regulator and listed company. With climate action as a key

priority, SGX aims to be a leading sustainable and transition financing and trading hub offering trusted, quality, end-to-end products and solutions.

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