



# ESG Comparative Guide



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## 1. Legal and enforcement framework

1. 1. What regulatory regimes and codes of practice primarily govern environmental, social and governance (ESG) regulation and implementation in your jurisdiction?

Singapore

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Given the myriad of ESG issues, there are different regulatory regimes and best practices governing different issues, with some applying only to specific sectors in Singapore.

On the environmental front, there are laws which regulate specific environmental issues. These include:

- the Environmental Protection and Management Act 1999, which is the main law on the protection and management of the environment and resource conservation;
- the Energy Conservation Act 2012, which introduced mandatory energy management practices and reporting requirements for greenhouse gas emissions;
- the Resource Sustainability Act 2019, which regulates electronic, food and packaging waste; and
- the Carbon Pricing Act 2018, which introduced a fixed-price credit-based tax mechanism.

Similarly, typical social issues such as health and safety and employment practices are governed respectively by laws such as:

- the Workplace Safety and Health Act 2006; and
- the Employment Act 1968.

Governance is an area for which Singapore is well recognised. The main regulatory framework relating to corporate governance is found in laws such as:

- the Companies Act 1967;
- the Securities and Futures Act 2001; and
- specifically for companies listed on the Singapore Exchange Securities Trading Limited (SGX-ST);
  - the listing rules of the SGX-ST; and
  - the Code of Corporate Governance.

An important component of governance is anti-corruption and the primary Singapore legislation governing this aspect is the Prevention of Corruption Act 1960.

These laws are supplemented by directives, guidelines and codes of practices issued by the relevant statutory bodies established to administer the laws, independently or in partnership with key industry stakeholders.

There are also laws and guidelines which are targeted at specific industries such as the energy, maritime and financial sectors.

1. 2. Is the ESG framework in your jurisdiction primarily based on hard (mandatory) law and regulation or soft (eg, 'comply or explain') codes of governance?

Singapore

WongPartnership LLP

As there is no single mandatory ESG framework, the type of regulatory framework that applies depends largely on the ESG issue at hand. Generally speaking, by the very nature of the subject, environment-related matters and specific social issues such as employment are regulated by hard laws.

In contrast, Singapore adopts a disclosure-based philosophy towards the issue of corporate governance. Listed companies in Singapore are required under the Listing Rules to comply with the Code of Corporate Governance on a 'comply or explain' basis; any departure from the provisions under the code will require comprehensive and meaningful explanation. The code is complemented by Practice Guidance which contains best practices for adoption on a voluntary basis.

With the increased focus on ESG issues, various regulators and authorities have also introduced ESG-focused guidelines – particularly in the form of reporting and risk management requirements. For example, under the Listing Rules, it is mandatory for listed issuers to issue a sustainability report, which must include a description of their sustainability practices with reference to the primary components set out in the Listing Rules on a 'comply or explain' basis. With effect from 1 January 2022, it is mandatory for listed issuers to make climate-related disclosures consistent with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD), and to describe the policy and plans devised to achieve board diversity targets.

There are also guidelines issued by industry regulators to promote sustainability efforts. An example is the first sector-specific Maritime Sustainability Reporting Guide issued by the Maritime and Port Authority of Singapore with its partners to encourage maritime companies (listed and non-listed) to invest in sustainability reporting efforts.

### 1. 3. Which bodies are responsible for implementing and enforcing the rules and codes that make up the ESG framework? What powers do they have?

Singapore  
WongPartnership LLP

The various ESG-related laws, rules and codes are administered by the relevant statutory bodies and governmental agencies in charge of the relevant areas or regulators of specific industries.

For instance, environmental legislation and policies are generally administered by the National Environment Agency of Singapore (NEA), a statutory board formed under the Ministry of Sustainability and the Environment. The officers of NEA are empowered under the relevant environmental legislation and regulations to undertake enforcement measures, including the power to inspect, obtain information, carry out searches and seize evidence. Any person found guilty of an offence under the relevant environmental legislation and regulations may be liable for a fine and/or imprisonment.

Social issues such as employment practices are under the purview of the Ministry of Manpower (MOM), and there are different divisions and statutory bodies under the MOM responsible for different employment related matters.

For listed issuers, the SGX-ST has oversight in respect of their compliance with the listing rules, which include the disclosure of corporate governance practices and preparation of sustainability reports. Besides an administrative role, the SGX-ST also has investigative and enforcement powers for the purpose of enforcing the Listing Rules, such as:

- initiating disciplinary action against issuers and/or its officers; and/or
- imposing sanctions such as reprimands, composition offers, trading suspensions and delisting from the SGX-ST.

The sector-specific regulations and codes will be implemented by the regulator of each sector. For instance, the Monetary Authority of Singapore (MAS), which regulates the financial sector, introduced the Green Finance Action Plan, aimed at developing Singapore as a leading green finance centre in Asia globally. As part of this plan, MAS issued Environmental Risk Management (ERM) Guidelines to require banks, insurers and asset managers to assess, monitor, mitigate and disclose environmental risks. While contravention of these guidelines does not constitute a criminal offence or attract civil penalties, observance of such guidelines is expected of the financial institution, as it may have an impact on MAS's overall risk assessment of that institution.

#### 1. 4. What is the regulators' general approach to ESG and the enforcement of the ESG framework in your jurisdiction?

Singapore  
WongPartnership LLP

Singapore is committed to upholding the rule of law, so the well-established hard laws mentioned elsewhere in question 1 will be strictly enforced. However, public officers will consider the facts of each case before exercising discretion within limits and making decisions in order to strike a balance between strictness and flexibility.

In introducing new regulations and policies, statutory bodies and regulators generally adopt a consultative approach; and if the implementation of certain new regulations and policies may pose a challenge for the relevant stakeholders, a transitional period will usually be provided. For instance, with respect to climate-related disclosures consistent with the TCFD Recommendations, the SGX-ST has set out a transitional framework under which listed issuers are only required to report on a 'comply or explain' basis for the financial year commencing 1 January 2022, with mandatory reporting to be extended to selected issuers in industries most affected by climate change (eg, financial, agriculture and energy) from the financial year commencing 1 January 2023 onwards.

Similarly, the ERM Guidelines were issued by MAS after conducting public consultations with the relevant financial institutions and other interested parties. In recognising that the relevant financial institutions may face initial challenges in implementing the ERM Guidelines, they are given 18 months from the issuance of the guidelines to assess and implement them.

Where appropriate, statutory bodies and regulators will also use 'regulatory sandboxes' to experiment with new regulatory methods before making changes to existing regulations or laws on a wider scale. For example, NEA established a regulatory sandbox to allow parties to experiment with innovative environmental services related technologies and solutions in an environment where regulations are relaxed within parameters. This allows NEA to assess the impact of the new technology or solution before deciding on the appropriate regulatory adjustments.

#### 1. 5. What private sector initiatives have been launched in your jurisdiction to

## complement the ESG framework?

### Singapore

#### WongPartnership LLP

To encourage industry-wide initiatives that complement the existing ESG framework, there are various collaborations between the public sector and the private sector.

MAS is leading the effort by convening the Green Finance Industry Taskforce (GFIT), which comprises representatives from financial institutions, corporates, non-governmental organisations and financial industry associations. GFIT is tasked with helping accelerate the development of green finance, which includes developing a green taxonomy for Singapore-based financial institutions. MAS also partnered with the financial industry and other industry sectors to pilot four digital platforms under Project Greenprint, which aims to:

- utilise technology and data to mobilise capital for ESG projects;
- assess commitments; and
- measure their impact.

One of the platforms is a common disclosure portal jointly developed with the SGX-ST with the aim of simplifying the ESG disclosure process and increasing accessibility to ESG data by international investors and financial institutions. Another is a platform which aggregates sustainability data from multiple sources, including a carbon management platform developed by Olam International, a leading global agri-business, to help businesses measure and manage carbon emissions.

Recognising that carbon credits play an effective role in supporting decarbonisation, the SGX-ST has partnered with Temasek and banks to launch Climate Impact X, a Singapore-based global carbon exchange and marketplace that will focus on carbon credits generated through nature-based solutions and use technology to ensure a transparent and verifiable carbon market.

Other prominent examples of private sector initiatives include:

- the Singapore Green Finance Centre – the first local multi-disciplinary research institute committed to green finance research and talent development, which has been launched by MAS and private sector partners;
- Singapore Trade Data Exchange (SGTraDex) – a digital platform expected to be fully established by 2022 that will facilitate secure data sharing among supply chain ecosystem partners, which is being launched by the Infocomm Media Development Authority of Singapore in partnership with private companies; and
- the EcoLabs Centre of Innovation for Energy – an innovation centre focused on boosting local deep-tech energy innovation capabilities to support Singapore’s sustainable energy transition aspirations, which is a joint initiative by Nanyang Technological University, Enterprise Singapore and the Sustainable Energy Association of Singapore.

## 2.Scope of application

2. 1. Which entities are captured by the rules and codes that make up the principal elements of the ESG framework in your jurisdiction?

The hard laws governing environment-related matters are intended to regulate certain pollutive or hazardous activities and will apply to entities carrying on such activities in Singapore. To name a few:

- the Environmental Protection and Management Act regulates, among other things:
  - pollution of air, water and land, noise control; and
  - the import, manufacture, sale and storage of hazardous substances;
- the Energy Conservation Act regulates the supply of certain electric goods for compliance with applicable energy efficiency standards and the implementation by energy-intensive companies in certain sectors of mandatory energy management practices;
- the Resource Sustainability Act regulates the collection and treatment of electrical, electronic and food waste to ensure that those who profit from the supply of such goods bear the cost of collecting and treating the goods when they become waste; and
- the Carbon Pricing Act applies to business facilities that carry out any activity involving the emission of greenhouse gas, particularly targeting those companies involved in large amounts of fossil fuel combustion.

On social issues such as employment, anyone that engages in employment practices in Singapore must comply with the applicable employment laws.

As for sustainability reporting and disclosure, it is mandatory for listed issuers – regardless of industry – to prepare a sustainability report and comply with the principles under the Code of Corporate Governance. Singapore-incorporated companies which are not listed on the Singapore Exchange Securities Trading Limited will still have to comply with the Companies Act 1967, being the main statute governing corporate governance matters in Singapore. While sustainability reporting is not mandatory for non-listed issuers, there is a growing trend for such companies to publish sustainability reports on a voluntary basis.

## 2. 2. How are entities in your jurisdiction that are not subject to specific rules or codes implementing ESG?

Through the launch of the Singapore Green Plan 2030 in 2021, the Singapore government has made it a national agenda to transform Singapore into a city of sustainability in its path towards net zero. Under this plan, it has launched various schemes to help local businesses build up capabilities and capture opportunities in the area of sustainability.

Enterprise Singapore, a government agency which champions enterprise development, introduced the Enterprise Sustainability Programme in 2021. The programme will assist local enterprises through:

- providing subsidised training workshops;
- supporting sector-specific initiatives in partnerships with industry partners; and
- strengthening the sustainability ecosystem such as through improving the availability of green financing.

Financial institutions which provide green financing under this programme can make a claim against

Enterprise Singapore for any amount which they fail to recover from the borrower and guarantor in proportion to the risk-share percentage of 70%.

Enterprise Singapore is also working with the Singapore Standards Council and the Singapore Accreditation Council to develop:

- green standards and accreditation programmes in areas such as low carbon technologies and sustainable food production; and
- a standards mapping tool for sustainable practices intended to aid Singapore's shift towards a green economy.

MAS has also launched the Green and Sustainability-Linked Loans Grant Scheme, which:

- reduces the borrowing costs of green and sustainable bonds and loans by defraying the additional expenses of obtaining independent external reviews; and
- promotes the development of green and sustainability-linked loan frameworks to make such financing more accessible to small and medium-sized enterprises.

Through this, the banks can direct financing to more sustainable activities and entities across different industries will receive funding to help them transition to more sustainable practices.

## 2. 3. What are the principal ESG issues in your jurisdiction that are either part of the ESG framework or part of the implementation of ESG?

Singapore  
WongPartnership LLP

Climate change has featured heavily on the Singapore government's agenda in the last year, as there is growing recognition that this is an existential challenge for Singapore. Following the 26th Conference of Parties to the United Nations Framework Convention on Climate Change, Singapore joined the Powering Past Coal Alliance and committed to phase out the use of unabated coal in its electricity mix by 2050 and to restrict direct government finance of unabated coal power internationally. This is in line with Singapore's long-term low emissions development strategy to halve its emissions from its peak by 2050, with a view to achieving net zero as soon as is viable in the second half of the century.

As part of its energy transition plan, Singapore intends to tap on four other switches: natural gas, solar, regional power grids and low-carbon alternatives. Given Singapore's land scarcity, there are limitations as to the amount of solar energy Singapore can harness. As such, Singapore is looking to lower the carbon footprint of the power sector further by importing around 30% of its electricity from low-carbon sources in Malaysia, Indonesia and Laos. In October 2021 the Energy Market Authority of Singapore announced a trial to import 100 megawatts of electricity from Malaysia and from a solar farm in Palau Bulan, Indonesia.

Further, given that green or blue hydrogen has been posited as an alternative to natural gas (which currently supplies 95% of Singapore's power needs), Singapore has entered into a partnership with Australia to explore solutions such as low-carbon hydrogen and ammonia, to drive down emissions in maritime shipping and port operations. In October 2021 Sembcorp Industries also announced an international partnership with Chiyoda Corporation and Mitsubishi Corporation to explore the implementation of a commercial-scale supply chain to deliver hydrogen to Singapore.

With growing demand for renewable electricity in Singapore, the Singapore Standards Council and Enterprise Singapore have launched Singapore Standard 673 on the Code of Practice for Renewable Energy Certificates. This is a national standard covering the production, tracking, management, and usage of renewable energy certificates for making renewable energy claims in Singapore.

In order to achieve net zero, Singapore also announced in the Budget Statement 2022, delivered by the Singapore minister of finance, that it will raise its carbon tax from the current S\$5 per tonne of greenhouse gas emissions to S\$25 per tonne in 2024 and 2025, and S\$45 per tonne in 2026 and 2027, with a view to reaching S\$50 to S\$80 per tonne by 2030. This will allow businesses to price the cost of carbon and take appropriate actions to decarbonise.

### 3. Disclosure and transparency

#### 3. 1. What primary disclosure obligations relating to ESG apply in your jurisdiction?

Singapore  
WongPartnership LLP

Listed issuers have continuing disclosure obligations under the Listing Rules to disclose material information that is necessary to avoid the establishment of a false market in the company's securities or would be likely to materially affect the price or value of its securities, except in limited circumstances. The failure to comply with such continuous disclosure obligations or the disclosure of false or misleading statements may result in a breach of the Securities and Futures Act 2001. Specifically, in relation to ESG disclosure, listed issuers must publish an annual sustainability report for their financial year within the same timeframe as their annual report, although a longer timeframe is permitted if there is external assurance on the sustainability report.

The sustainability report must describe the sustainability practices with reference to certain primary components set out in the Listing Rules on a 'comply or explain' basis. These components include:

- material ESG factors;
- policies, practices and performance in relation to such factors;
- targets in relation to each factor;
- a sustainability reporting framework; and
- a board statement confirming that the board has considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of these factors.

Further, the Singapore Exchange Securities Trading Limited (SGX-ST) – recognising the difficulty faced by listed issuers in benchmarking ESG disclosures, due in part to the inconsistency and lack of comparability of ESG data disclosures – has distilled 27 ESG metrics commonly reported by listed issuers with each metric mapped against globally accepted reporting frameworks such as:

- the Global Reporting Initiative (GRI);
- the Sustainability Accounting Standards Board;
- the Task Force on Climate-related Financial Disclosures (TCFD) Recommendations; and
- the World Economic Forum's recommended set of metrics and disclosures.

These ESG metrics serve as a baseline for reporting and are not intended to be exhaustive.

In terms of sectoral requirements, banks, insurers and asset managers are required under the Environmental Risk Management Guidelines to disclose their approach to managing environmental risk in a manner that is clear and meaningful to their stakeholders. They are also encouraged to disclose the potential impact of material environmental risk on the bank, including quantitative metrics such as exposures to sectors with higher environmental risk. The disclosure should be in accordance with well-regarded international reporting frameworks, such as the TCFD recommendations.

There are also specific reporting and/or record-keeping obligations under the various environmental laws. For example:

- under the Environmental Protection and Management Act, a register of the tests conducted to monitor the industrial emission of air impurities must be kept available for inspection;
- under the Carbon Pricing Act, operators of business facilities with a carbon dioxide equivalence that attains the first emissions threshold must submit to the National Environment Agency of Singapore (NEA) greenhouse gas emissions reports; and
- under the Resource Sustainability Act, producers of specified packaging that fulfil prescribed threshold criteria must submit to the NEA reports on information relating to such specified packaging and a plan to reduce, re-use or recycle packaging in Singapore (also known as the '3R plan').

### 3. 2. What voluntary ESG disclosures are also commonly made in your jurisdiction?

#### Singapore

#### WongPartnership LLP

Unlike listed issuers, non-listed issuers are not subject to any mandatory ESG disclosure requirements in Singapore. However, with increasing evidence that integration of ESG policies into corporate strategy can yield a positive effect on their financial performance, there is a developing trend for non-listed issuers to make ESG disclosures on a voluntary basis. The sustainability reports published by listed issuers serve as a good reference point for non-listed issuers.

Generally, the most commonly adopted sustainability reporting framework is the GRI Standards, with an increasing number of entities including climate-related disclosures made against the TCFD Recommendations. Other international frameworks and industry specific guidelines used by local entities are the United Nations Sustainable Development Goals and the Carbon Disclosure Project.

Based on the SGX-CGS Sustainability Reporting Review Report 2021 issued pursuant to a joint review by the Singapore Exchange Regulation and the Centre for Governance and Sustainability at the National University of Singapore Business School, the 10 most commonly disclosed material factors are those of a social and environmental nature. The most commonly disclosed are:

- for social factors:
  - occupational health and safety;
  - employment practices;
  - training and education;
  - diversity and equal opportunities;
  - local community involvement; and
  - product, safety and marketing;
- for governance factors, anti-corruption; and

- for environment factors, energy and effluents and waste.

Other voluntary disclosures, as per the Sustainability Reporting Review Report 2021, include:

- the management's role in preparing the report;
- the company's sustainability targets, whether short term or longer term; and
- the relationship between those targets and the company's overall corporate strategy (ie, business strategy and financial performance).

Additionally, some entities will disclose performance data in the context of previously disclosed targets, with some linking top executive remuneration to performance.

### 3. 3. What role is played in this regard by (a) the board and (b) other corporate bodies and/or officers?

Singapore  
WongPartnership LLP

ESG disclosure is a tenet of good governance and promotes the accountability and transparency of a company. In this regard, the board of a company has the dual role of determining the company's strategic direction and conceptualising its approach to governance. The SGX-ST's Sustainability Reporting Guide states that the board's role includes setting strategic objectives with an appropriate focus on sustainability. The board should determine the ESG factors that are material to the company's business and ensure that those factors are monitored and managed, which translates into the board bearing ultimate responsibility for the company's sustainability reporting. To this end, the board should put in place through the various levels of management an appropriate sustainability governance structure.

The board is usually supported by a sustainability committee, which may comprise members of the board and/or senior management. The committee will provide the board with specific oversight on strategic and investment decisions related to sustainability, and assist with the implementation and communication of the company's sustainability activities to its stakeholders. Some companies have also created the executive role of a chief sustainability officer (CSO) to spearhead the formulation and execution of the company's sustainability strategy and efforts. CSOs face an evolving mandate due to the business resilience pressures of the COVID-19 pandemic, but their main role remains that of ascertaining transparent ways to integrate sustainability into the company's business functions and processes.

### 3. 4. What best practices should be considered in relation to ESG reporting and disclosure?

Singapore  
WongPartnership LLP

The SGX-ST recommends that listed issuers adopt globally recognised frameworks and international disclosure standards to guide their reporting, since this allows for improved quality and comparability of ESG data. An example of such a framework is the GRI Standards, which allow organisations to transparently depict the impact of their activities in a structured manner. These disclosure standards are the global baseline for sustainability disclosures in the financial markets.

It is important for a company to:

- disclose the proper governance structure and operational arrangements that are in place to manage ESG issues within the company; and
- demonstrate that ESG issues have been integrated into its existing strategy and risk management processes.

Such disclosures should set out:

- the roles and responsibilities of the board and at each level beyond the board;
- the frequency of reporting and discussions; and
- how progress against climate-related or other metrics and targets is tracked.

Companies should also provide internal or external assurance to enhance the accuracy and credibility of their disclosures, and to confirm that the information provided presents a true and balanced picture of their sustainability efforts and their underlying processes. With effect from 1 January 2022, listed issuers must subject their sustainability reporting process to internal review and may additionally commission an independent external assurance on the sustainability report.

The Sustainability Report 2021 has also identified various best practices in reporting and disclosure, including:

- identifying the relevant climate/environmental risks and opportunities;
- reporting based on consistent indicators and cross-references against targets;
- reporting performance data for all material topics with multi-year performance data to provide more context;
- disclosing short-term and long-term targets that are specific and measurable for all material topics; and
- reporting on clear linkages between performance and business strategy and financial performance.

These best practices aim to increase the confidence of stakeholders and other interested parties in the credibility of the reporting and disclosure.

## 4. Strategy and governance

### 4. 1. How is ESG strategy typically designed and implemented in companies in your jurisdiction?

Singapore  
WongPartnership LLP

Knowledge and understanding of ESG issues among most companies in Singapore is still relatively nascent compared to that of their counterparts in jurisdictions that are further along in their ESG journey (eg, the European Union). As such, many companies have focused their efforts in a more limited manner:

- aiming to comply with the applicable ESG-related laws, reporting and disclosure obligations, and corporate governance standards; and
- designing and implementing ESG strategies with more short-term results.

In this regard, companies in Singapore are guided by the various applicable laws, regulations, codes and

guidelines issued by the relevant statutory bodies or governmental agencies and industry regulators. They are further supported by various incentives such as the Enterprise Sustainability Programme introduced by Enterprise Singapore, under which Enterprise Singapore will set aside S\$180 million to help an estimated 6,000 Singapore companies go green by providing training workshops, project support and financing.

#### 4. 2. What role is played in this regard by (a) the board and (b) other corporate bodies and/or officers?

Singapore  
WongPartnership LLP

The board is the key force in driving the development of a company's ESG strategy. In particular, the board must take steps to:

- identify and inform themselves of the relevant climate risks; and
- satisfy themselves of the adequacy of the company's sustainability strategy and how it is being implemented through various levels of management in monitoring, reporting and managing climate risks.

As noted in two reports commissioned by the Commonwealth Climate and Law Initiative on a board's liabilities and responsibilities in relation to climate risk and climate change, failure by the board in this regard may potentially expose them to prosecution by the relevant governmental agencies, criminal sanctions or regulatory penalties, as well as to civil liabilities.

Company officers have an equally important role to play in the design and implementation of the company's ESG strategy. Research indicates that 52% of the CEOs of Singapore companies are of the view that employees should have a strong voice on climate change if they are to feel engaged and motivated. This is unsurprising, given that company officers are engaged in the day-to-day running of the company's business and affairs at a micro level, and will be the 'first responders' in detecting the relevant climate risks and proposing the appropriate measures to address and mitigate them.

#### 4. 3. What mechanisms are typically utilised to monitor the implementation of ESG strategy in your jurisdiction?

Singapore  
WongPartnership LLP

While different companies adopt and implement different frameworks and metrics to monitor the success of implementation of their ESG strategy, ESG reporting and disclosure remains one of the most common and important ways of doing so. See questions 3.2 and 3.4.

#### 4. 4. What role is played in this regard by (a) the board and (b) other corporate bodies and/or officers?

Singapore  
WongPartnership LLP

See questions 3.2 and 4.2

#### 4. 5. How is executive compensation typically aligned with ESG strategy in your jurisdiction?

Singapore  
WongPartnership LLP

There is a consistent and growing practice of including ESG-related performance and outcomes as one of the factors to consider in determining executive compensation. In the KPMG 2021 CEO Outlook survey, 63% of CEOs in Singapore reported that their remuneration is tied to ESG outcomes. The Sustainability Reporting Review Report 2021 indicated that 26% of Singapore Exchange Securities Trading Limited issuers linked top executive remuneration to ESG performance. This shows that executive compensation is linked not only to ESG strategy, but also to the effectiveness of such strategies.

#### 4. 6. What best practices should be considered in relation to the design and implementation of ESG strategy?

Singapore  
WongPartnership LLP

First, companies should understand the ESG-related targets and strategy that they are setting and pursuing, and how these align with their overall business and strategy. It is important to think not only about the positive impact that the company's targets and strategy could have on the environment and the community in which it is operating, but also about the 'sustainability' of the effort required to implement the strategy and meet the targets in terms of the company's ability to make continued progress in the long run. This helps to ensure that the company is not merely 'jumping on the bandwagon'.

Second, companies should not only take care to focus only on climate-related targets, but also remain cognisant of the 'social' and 'governance' components of 'ESG' – in particular, the impact that their business and operations may have on the communities in which they operate.

Third, companies should select the reporting standards and frameworks that are most applicable to them, bearing in mind the best practices in this regard as set out in question 3.4. Companies should ensure that they can comply with the chosen standards and framework so that they can clearly communicate their ESG strategy, targets and progress.

Ultimately, commitment to ESG and sustainability is a long-term play. Any company that is unable to demonstrate tangible commitment to the cause and measurable results in the long run may risk jeopardising its reputation and credibility.

### 5. Financing

#### 5. 1. What is the general approach of lenders towards ESG in your jurisdiction? What internal and external information regarding a prospective borrower will they typically consider in this regard?

In the Budget Statement 2022, it was noted that green finance is one of the fastest-growing segments and Singapore now accounts for close to half of the Association of South East Asian Nations green bond and loan market. The Singapore government is keen to fuel the growth of this market and will take the lead by issuing up to S\$35 billion in green bonds by 2030 to fund public sector green infrastructure projects.

Lenders in Singapore are keenly aware of the need to support the nation's sustainability agenda and of their critical role in providing financing solutions to help clients transition to a low carbon economy. This is in part due to the push by the Monetary Authority of Singapore (MAS) to accelerate the growth of green finance in Singapore. From a regulatory perspective, banks are required under the Environmental Risk Management (ERM) Guidelines to build resilience against the impact of environmental risk by implementing robust ERM policies and processes. They are also encouraged to assist in the transition towards an environmentally sustainable economy by channelling capital through their green financing and investment activities. By engaging in green financing activities, lenders can also reap intangible benefits in the form of lower reputational and counterparty risks, as well as stronger client relationships.

In 2021, the Green Finance Industry Taskforce (GFIT) launched a Green and Sustainable Trade Finance and Working Capital Framework for short-term trade, both funded and contingent, and working capital solutions for green and sustainable purposes. It provides a 'principles-based' approach for banks to:

- assess eligible green trade finance transactions;
- introduce controls to assess whether environmental objectives and principles are met; and
- provide guidance on recommended industry certifications for trade finance activities to qualify as green.

Under the GTF Framework, banks will need to assess, among other things, whether the prospective borrower's use of the funds meets any of the environmental objectives specified in the GFIT taxonomy (eg, climate change mitigation, biodiversity protection). The borrower may be asked to submit documentary evidence which could be in the form of a recognised industry certificate, government licence or accepted third-party assessment showing the environmental and/or social benefits that will be assessed, measured or quantified. The bank should also assess the suitability of the borrower, as companies involved in certain prohibited activities (eg, illegal logging operations, trade of endangered species and exploitation of labour) should not qualify for green and sustainable trade finance and working capital.

## 5. 2. Are bonds/loans that are marketed as green bonds/loans, social bonds/loans, sustainability bonds/loans or similar a feature of the markets in your jurisdiction?

As early as 2017, MAS launched a Green Bond Grant Scheme (GBGS) to catalyse the green bond market in Singapore by allowing issuers to offset the additional costs of issuing such bonds. The scheme, which was renamed the Sustainable Bond Grant Scheme (SBGS), was expanded to include social, sustainability and sustainability-linked bonds. In the same year, the National Environment Agency of Singapore became the first statutory board to set up a S\$3 billion multi-currency medium-term note and green bond framework, with proceeds from the issuance of notes used to finance sustainable infrastructure development projects. Proceeds from the notes issued will be used to finance sustainable infrastructure development projects such

as Tuas Nexis, Singapore's first integrated water and solid waste treatment facility.

Based on MAS's annual update of the Singapore corporate debt market for the calendar year ending 31 December 2020, more than S\$18 billion of green, social, sustainability and sustainability-linked bonds had been issued in Singapore under the GBGS and SBGS. With the expanded SBGS, more than 45% of funds raised were from transition, sustainability and sustainability-linked bonds in the first half of 2021.

There is also an uptake in demand for green and sustainability-linked loans. Based on data from Bloomberg, Singapore has the largest green and sustainability-linked loans market in Asia-Pacific, accounting for 33% of Asia-Pacific green loans volume and 36% of Asia-Pacific sustainability-linked loans volume in 2021. To accelerate green and sustainability-linked lending in Singapore, MAS launched the Green and Sustainability Linked Loan Grant Scheme (GSLS), which helps to reduce the borrowing costs of green and sustainability-linked loans by offsetting the additional expenses incurred to obtain independent sustainability advisory and assessment service providers' validation of the green and sustainability credentials of the loan. The GSLS also supports banks in developing sustainability frameworks to render financing more accessible to companies.

### 5. 3. What key developments have taken place in the structuring of these instruments in your jurisdiction?

Singapore  
WongPartnership LLP

The SBGS and the GSLS are relatively new schemes introduced by the MAS under the Green Finance Action Plan to help defray a company's additional expenses incurred in obtaining green and sustainability-linked bonds and green and sustainability-linked loans. The terms of such bonds and loans include terms affiliated with the issuer's or borrower's fulfilment of its sustainability performance targets (SPTs) to motivate the issuer or the borrower to seriously undertake its sustainability initiatives.

To combat the risk of greenwashing and criticisms that there is inconsistency and a lack of transparency in sustainable finance, borrowers are spending more effort in having well-documented key performance indicators (KPIs) and engaging third parties such as Sustainalytics to provide a second opinion on the alignment of their financing framework with the relevant green loan/bond or sustainability-linked loan/bond principles. They will also engage a qualified external provider to verify the performance of KPIs and SPTs on a regular basis, and will publish the reports issued by such external provider publicly.

Another challenge is the moral hazard created by sustainability-linked loans/bonds. There is usually an interest/coupon adjustment or premium if the borrowers or issuers are unable to achieve the SPTs. This thus creates a paradox where investors benefit from the borrower's or issuer's failure to deliver on its sustainability goals. It remains to be seen whether more innovative penalty structures could better align a borrower or issuer's financial and social interests.

### 5. 4. What best practices should be considered in relation to ESG in the financing context?

Singapore  
WongPartnership LLP

There is currently a lacuna in the domestic regulations governing the use of ESG instruments – particularly in terms of standardising these instruments and enforcing penalties for regulatory non-compliance. This could culminate in greenwashing which, if left unchecked, could cause investors to lose confidence in the ESG financing regime. Therefore, a best practice is to institute a green taxonomy to standardise what qualifies as ‘green’ and establish a common set of eligibility criteria for green finance.

A well-defined taxonomy can rule out green finance’s plural definitions, minimise information asymmetry and reduce greenwashing. This can consequently promote investor confidence and bolster green investments. MAS’s managing director declared in his speech at the *Financial Times* Investing for Good Asia Digital Conference that instead of developing a single global taxonomy, efforts should focus on ensuring that taxonomies across different markets are interoperable and comparable.

Another issue is the omission of the ‘additionality principle’, whereby SPTs are such ‘low-hanging fruit’ that they can be achieved without receiving the proceeds from the sustainability-linked bonds or loans or green loans, thus rendering moot the additional positive environmental or social impacts that the sustainability-linked bonds or loans or green loans are meant to have. Best practice would be to set SPTs over and above a ‘business-as-planned’ corporate baseline that is formulated within a future timeframe, to ensure that the SPTs are not achievable without deviation in the sustainability direction from the ordinary course of the company’s business. Additionally, independent sustainability professionals should play a bigger role in such green finance schemes by assisting companies with setting credible baselines and designing appropriate metrics and targets. In short, SPTs set must be ambitious, yet meaningful.

There have been questions about the quality of monitoring after the loan has been disbursed by a lender. This is also an issue which is worth considering if Singapore intends to have an ESG financing regime which continues to remain robust for years to come. There is the constant risk that, once a loan has been disbursed and lenders have moved on to the next financing, monitoring standards might be allowed to deteriorate. This is especially risky because borrowers and lenders have a wide range of choices when it comes to third-party verifiers (if one is even engaged). This issue ties in with the lack of standardisation as to what qualifies as ‘green’; and brings into focus a need to tighten the rules relating to post-disbursement monitoring, and provide more prescriptive guidelines that expressly lay down post-disbursement monitoring requirements, coupled with clearly stated consequences for regulatory non-compliance.

## 6. ESG activism

### 6. 1. What role do institutional investors and other activist shareholders play in shaping ESG in your jurisdiction?

Singapore  
WongPartnership LLP

Institutional investors and activist shareholders play a key role in influencing a company’s ESG strategy and, by extension, in shaping the ESG landscape in Singapore.

First, various institutional investors in Singapore have committed to reducing the net carbon emissions attributable to their portfolios and are seeking out sustainable investments to add to their portfolio. This in turn encourages companies looking to attract investments to do likewise. For example, Temasek Holdings and various major banks and funds in Singapore (eg, DBS, UOB, Morgan Stanley and BlackRock) have

integrated ESG considerations into their investment decisions, and have developed structured and comprehensive due diligence frameworks for the selection of sustainable investments or investments in companies with a sound and robust ESG strategy and performance.

Second, institutional investors have also introduced and implemented various programmes to help their portfolio companies to transform their businesses to be more sustainable. For example, through the Stewardship Asia Centre, Temasek has sought to create awareness of ESG-related concerns and build up capability to address these concerns through research, education, engagement and advisory services.

Third, institutional investors have made clear that they are prepared to actively engage the boards of their portfolio companies on ESG issues, and will not be shy through voting activities to influence board composition and hold boards accountable on ESG issues. GIC – one of the investment entities in Singapore that manage the government’s reserves – became a signatory to CDP, Climate Action 100+ and the Asia Investor Group on Climate Change in 2022, which sends a clear signal that it intends to have more active engagement with its portfolio companies on climate-related risks and opportunities and offer support in their carbon transition journey.

Singapore-headquartered bank UOB is a signatory to:

- the Singapore Stewardship Principles for Responsible Investors, an industry-led initiative for responsible investment supported by the Monetary Authority of Singapore and Singapore Exchange Securities Trading Limited; and
- the UN-supported Principles for Responsible Investment.

## 6. 2. How do activist shareholders typically seek to exert influence on corporations in your jurisdiction in relation to ESG?

Singapore  
WongPartnership LLP

See question 6.1. Notably, there has yet to be the sort of shareholder activism seen with Exxon Mobil and Chevron in Singapore; and, based on historical experience with shareholder dissatisfaction with corporate decisions, this is unlikely to be the preferred mode through which activist shareholders (or for that matter, institutional investors) would seek to exert influence and effect change on companies in Singapore.

## 6. 3. Which areas of ESG are shareholders currently focused on?

Singapore  
WongPartnership LLP

The current focus of institutional investors and activist shareholders is on getting companies to recognise, identify and address:

- ESG-related issues and concerns (in particular, climate risks and the importance of reduction in carbon emissions);
- disclosure and reporting; and
- capacity building to adequately address these issues and concerns.

For instance, UOB has developed a structured due diligence framework to ensure that investment partners have operationalised policies and processes in place and/or adopt or align with globally recognised disclosure and reporting standards and frameworks such as the Task Force on Climate-related Financial Disclosures and the Sustainability Accounting Standards Board. DBS has also advocated for benchmarks in ESG criteria or ratings to facilitate systematic assessments of potential investments, as well as the making of investment decisions based on ESG-related considerations.

#### 6. 4. Have there been any high-profile instances of ESG activism in recent years?

Singapore  
WongPartnership LLP

See questions 6.1 and 6.2.

#### 6. 5. Is ESG activism increasing or decreasing in your jurisdiction? How and why?

Singapore  
WongPartnership LLP

See questions 6.1 and 6.2.

### 7. Other stakeholders and rights holders

7. 1. What role do stakeholders or rights holders (eg, employees, pensioners, creditors, customers, suppliers, and Indigenous communities) play in shaping ESG in your jurisdiction? What influence can they exert on a company?

Singapore  
WongPartnership LLP

In addition to those discussed in question 6, other stakeholders have an active and important role to play in shaping the ESG landscape in Singapore through various formal and informal engagement channels. The views of stakeholders contribute to informing a company's identification of material ESG concerns, and continued and sustained engagement with stakeholders provides a company with an up-to-date picture of its sustainability efforts – both within its business and in the environment and community in which it operates.

Stakeholder engagement has been identified as a key aspect of sustainability reporting and disclosure. The Sustainability Reporting Review Report 2021 recommended that as a best practice, companies should disclose:

- how they identify their stakeholders;
- the stakeholder engagement channels that are available; and
- how stakeholders' concerns are addressed.

In the same report, it was observed that currently, around one-third of Singapore Exchange Securities Trading Limited (SGX-TL) issuers report on how they identify their stakeholders and their stakeholders' concerns and how they respond to the same.

Indeed, stakeholder engagement appears to be a key driver of sustainability reporting and disclosure. Under Practice Note 7.6 on Sustainability Reporting issued by the SGX, it is noted that interaction of the issuer with its stakeholders is of interest to investors for its relevance to sustainability across the value chain of the issuer.

## 8. Trends and predictions

8. 1. How would you describe the current ESG landscape and prevailing trends in your jurisdiction? Are any new developments anticipated in the next 12 months, including any proposed legislative reforms?

Singapore  
WongPartnership LLP

Singapore is showing signs of shifting away from a primarily incentive-based approach to one which incorporates more mandatory legal and regulatory requirements. Among other things, with respect to climate-related disclosures, the Singapore Exchange Securities Trading Limited has announced that climate reporting will subsequently become mandatory for issuers in certain industries, to be implemented in tranches:

- by 2023 for issuers in the financial, agriculture, food and forest products, and energy industries; and
- by 2024 for issuers in the materials and building and transportation industries.

Singapore also announced in the Budget Statement 2022 that it will raise its carbon tax from the current S\$5 per tonne of greenhouse gas emissions to S\$25 per tonne in 2024 and 2025, and S\$45 per tonne in 2026 and 2027, with a view to reaching S\$50 to S\$80 per tonne by 2030.

That said, the current ESG landscape remains heavily embedded in providing the relevant opportunities, incentives, resources, and programmes to foster an ESG landscape that is conducive for uptake by all companies. See also questions 1.2, 1.4, 1.5, 2.2, 2.3, 5.1 and 5.2.

## 9. Tips and traps

9. 1. What are your top tips for effective ESG implementation in your jurisdiction and what potential sticking points would you highlight?

Singapore  
WongPartnership LLP

Given Singapore's push to develop an ESG-friendly landscape, companies should feel free to take advantage of the available opportunities, incentives, resources, and programmes – see questions 1.2, 1.4, 1.5, 2.2, 2.3, 5.1 and 5.2. These are designed not only to help companies kickstart their sustainability journey, but also to assist companies with developed sustainability strategies to advance their ESG goals and targets.

In designing and implementing their ESG strategies, companies should be mindful to:

- actively engage their investors and stakeholders (see questions 6 and 7); and
- ensure that their ESG strategies:
  - align with their overall business and strategy;
  - consist of not only short-term but also long-term goals; and

- are sustainable in the long run (see question 4.6).



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