International
Comparative
Legal Guides

Practical cross-border insights into ESG law

Environmental, Social & Governance Law 2023

Third Edition

Contributing Editors:

David M. Silk & Carmen X. W. Lu
Wachtell, Lipton, Rosen & Katz

ICLG.com

Expert Analysis Chapters

Q&A Chapters

Q&A Chapters Continued

Singapore

Quak Fi Ling

Tiong Teck Wee

WongPartnership LLP

1 Setting the Scene – Sources and Overview

1.1 What are the main substantive ESG-related regulations?

Singapore has various regulatory regimes governing Environmental, Social and Governance (ESG)-related issues. The statutory regimes are set out below. However, note that there are also industry-specific laws, regulations, codes of conduct, and best practices governing ESG-related issues (e.g. in the energy, maritime and financial sectors).

As regards the environment, the key regulations are set out in various statutory instruments, including the following:

- the Environmental Protection and Management Act 1999, which is the main statutory legislation 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 for carbon emissions.

As regards social issues such as health, safety, and employment practices, the statutory regime includes the following:

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

The main regulatory framework relating to corporate governance can be found in the following statutory instruments:

- the Companies Act 1967;
- the Prevention of Corruption Act 1960;
- the Securities and Futures Act 2001; and
- for companies listed on the Singapore Exchange Securities Trading Limited (SGX), the listing rules of the SGX (Listing Rules) and the Code of Corporate Governance.

The aforementioned statutory regimes are supplemented by various directives, guidelines, best practices and codes of conduct issued by the respective statutory bodies established to administer these regimes, either independently or in partnership with key industry stakeholders.

1.2 What are the main ESG disclosure regulations?

Listed companies 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. Specifically, in relation to ESG disclosure, listed companies 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, in response to the difficulty faced by listed companies in benchmarking ESG disclosures, due in part to the inconsistency and lack of comparability of ESG data disclosures, the SGX has distilled 27 ESG metrics commonly reported by listed companies with each metric mapped against globally accepted reporting frameworks such as:

- the Global Reporting Initiative;
- the Sustainability Accounting Standards Board (SASB);
- 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 to 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 1999, 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 2018, operators of business facilities with a carbon dioxide equivalence that attains the

first emissions threshold must submit emissions reports relating to their greenhouse gas emissions to the National Environment Agency of Singapore (NEA); and
- under the Resource Sustainability Act 2019, producers of specified packaging that fulfil prescribed threshold criteria must submit reports to the NEA on information relating to specified packaging, and submit a plan to reduce, re-use or recycle packaging in Singapore (also known as the '3R plan').

1.3 What voluntary ESG disclosures, beyond those required by law or regulation, are customary?

Non-listed companies are not subject to any mandatory ESG disclosure requirements in Singapore. However, there is a trend for non-listed companies to make ESG disclosures on a voluntary basis, and they often use the sustainability reports published by listed companies as a reference point.

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 ESG factors that are most commonly disclosed on a voluntary basis tend to focus on environment and social issues.

Other voluntary disclosures, as per the Sustainability Reporting Review Report 2021, include:
- the management's role in preparing the sustainability report;
- the company's sustainability targets, whether short term or longer term;
- the relationship between those targets and the company's overall corporate strategy (i.e. business strategy and financial performance); and
- performance data in the context of previously disclosed targets, with some companies linking top executive remuneration to performance.

1.4 Are there significant laws or regulations currently in the proposal process?

The Monetary Authority of Singapore (MAS) is looking to put in place enablers to enhance sustainability disclosures and address data challenges faced by stakeholders. In particular, on 4 July 2022, Mr Tharman Shanmugaratnam, Senior Minister and Chairman of MAS, announced that MAS will consult on introducing mandatory disclosure requirements for financial institutions, as soon as a global baseline sustainability reporting standard is established by the International Sustainability Standards Board, which is expected by the end of 2022.

1.5 What significant private sector initiatives relating to ESG are there?

To encourage industry and private sector-led initiatives that complement the existing ESG framework and regulations, there are and have been various public-private collaborations.

In this regard, MAS is leading the charge by convening the Green Finance Industry Taskforce (GFIT), consisting of 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's Project Greenprint is also a partnership with the financial industry and other industries to develop digital platforms allowing the utilisation of technology and data to mobilise capital for ESG projects, assess commitments and measure their impact.

Other notable examples of private sector initiatives include:
- the ESG Registry, ESGpedia, launched by Hashstacs Pte Ltd as part of Project Greenprint – this database aggregates, records, and maintains the provenance of holistic and forward-looking ESG certifications and data of companies across various sectors and global verified sources on a single registry, utilising blockchain technology to ensure security and ease of access by different users;
- 15 companies including KPMG, MUFG Bank and Grow Asia have come together to establish the ESG Impact Hub. The ESG Impact Hub aims to spur co-location and collaboration between ESG FinTech start-ups and solution providers, financial institutions and real economy stakeholders. The ESG Impact Hub will also anchor industry-driven sustainability initiatives such the Point Carbon Zero Programme and KPMG's ESG Business Foundry; and
- 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.

2 Principal Sources of ESG Pressure

2.1 What are the views and perspectives of investors and asset managers toward ESG, and how do they exert influence in support of those views?

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 the same. For example, Temasek Holdings and various major banks and funds in Singapore (e.g. 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 Holdings 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 shy away from voting activities to influence board composition and hold boards accountable on ESG issues. For example, GIC – one of the three 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.

2.2 What are the views of other stakeholders toward ESG, and how do they exert influence in support of those views?

Notably, the kind of shareholder activism seen with Exxon Mobil and Chevron has yet to occur in Singapore. Based on historical experience involving 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.

That being said, the Singapore Government takes a proactive role in encouraging and promoting awareness and focus on ESG-related issues and concerns, and has rolled out numerous programmes to assist companies on their sustainability journey. Most notably, the Singapore Government has released the Singapore Green Plan 2030, which is a nationwide movement to advance Singapore's national agenda on sustainability and sustainable development.

2.3 What are the principal regulators with respect to ESG issues, and what issues are being pressed by those regulators?

Each ESG-related law, regulation, rule or code is administrated by an assigned statutory body or government agency.

As regards the environment, environmental legislation and policies are generally administered by the NEA, a statutory board formed under the Ministry of Sustainability and the Environment.

As regards social issues such as employment practices, these come 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 companies, the SGX has oversight of their compliance with the Listing Rules, which includes rules relating to corporate governance and ESG-related disclosures. The SGX also has investigative and enforcement powers, empowering it to initiate disciplinary action and impose sanctions in case of breach of the relevant rules.

Sector-specific regulations and codes are implemented by the regulator of each sector. For instance, MAS, which regulates the financial sector, has introduced the Green Finance Action Plan, which is aimed at developing Singapore as a leading green finance centre in Asia. As part of this plan, MAS has issued the Environmental Risk Management Guidelines requiring 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 administrative sanctions, observance of these guidelines is expected of the financial institution.

2.4 Have there been material enforcement actions with respect to ESG issues?

The statutory body or government agency assigned to oversee the implementation of laws and regulations in relation to particular ESG issues and industries will take enforcement action against errant companies in the event of breach of these laws and regulations. The penalties and sanctions include, among other things, mandatory corrective actions and fines not just for the errant company but also its relevant officers.

As Singapore moves away from its earlier incentive-based approach of encouraging companies to take steps in addressing ESG-related issues and concerns, we can expect to see more hard laws and regulations being introduced progressively, particularly in the fields of governance, disclosure, and carbon tax. The Singapore Government will also be rolling out capacity-building programmes for companies to assist them in achieving compliance with these laws and regulations. Regulators such as MAS have made it clear that moving forward, they will place greater focus on enforcement and pursuing breaches of disclosure and other ESG-related requirements.

2.5 What are the principal ESG-related litigation risks, and has there been material litigation with respect to ESG issues, other than enforcement actions?

Singapore jurisprudence on ESG-related litigation is still at a nascent stage.

Notable recent cases include a claim brought by the state of Papua New Guinea on behalf of certain communities in the country against the Singapore-registered public company PNG Sustainable Development Program (PNGSDP), for environmental damage caused by a gold and copper mine there. In that case, one of the key issues raised was PNGSDP's purported failure to use the benefits that it had obtained from its shareholding in the gold and copper mine towards promoting sustainable development within Papua New Guinea, as well as to advance the general welfare of the people of Papua New Guinea.

2.6 What are current key issues of concern for the proponents of ESG?

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 financing of unabated coal power internationally. This is in line with Singapore's target to achieve net-zero greenhouse gas emissions by 2050.

As part of its energy transition plan, Singapore intends to tap on four other switches: natural gas; solar power; 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 Pulau 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.

In order to achieve net-zero emissions, Singapore also announced in its Budget Statement 2022, delivered by the 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.

Separately, 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 tackle these issues and concerns.

3 Integration of ESG into Business Operations and Planning

3.1 Who has principal responsibility for addressing ESG issues? What is the role of the management body in setting and changing the strategy of the corporate entity with respect to these issues?

In a company, the board of directors plays the dual role of setting a company's strategic objectives and its approach to governance. This includes identifying ESG factors that are material to the company's business and setting up a sustainability governance structure to manage the risks and opportunities arising from such factors. The management team will work closely with the board to ensure that there is continuous monitoring and proper management of such ESG factors.

In the case of companies listed on the SGX, the board is recognised to have the ultimate responsibility for the company's sustainability reporting, but the management is also expected to play a role in assessing and managing sustainability-related risks and opportunities. The roles of the board and management in the governance of sustainability issues would have to be explained in the sustainability report.

3.2 What governance mechanisms are in place to supervise management of ESG issues? What is the role of the board and board committees *vis-à-vis* management?

The board has general oversight of management of ESG issues and is supported by the management to implement the sustainability-related strategies and risk-management policies determined by the board. The interplay of the board's roles *vis-à-vis* management is company-specific, and practices may vary depending on factors such as size of the company, industry, regulatory requirements, and the materiality of specific ESG issues to each company.

For example, some companies will establish a board committee (such as a board sustainability committee) to exercise advisory supervision on the identification of material ESG issues, formulation of the company's sustainability strategy, setting of key performance targets and preparation of the sustainability report. Such a board may appoint a chief sustainability officer to drive the company's sustainability efforts and coordinate with the management team as well as heads of various business units and functions to achieve the company's ESG goals and initiatives.

3.3 What compensation or remuneration approaches are used to align incentives with respect to ESG?

In a 2022 report published by Professor Mak Yuen Teen in collaboration with the Sustainable Finance Institute Asia and CPA Australia, it was reported that more than 50% of companies in the Straits Times Index (STI) (which tracks the performance of the top 30 companies listed on SGX by market capitalisation) included ESG measures as part of the formula for executive compensation. Based on disclosures made by such listed companies, 'environmental' factors rank ahead of 'social' and 'governance' factors, there is a mix of both quantitative and qualitative metrics adopted in the measurement, and ESG metrics are mostly linked to short-term incentives.

However, linking ESG metrics with executive remuneration is still a relatively new approach for Singapore companies. This is in part due to the fact that understanding of the impact of ESG factors on businesses is still relatively nascent in Singapore, and consequently, stakeholders are not demanding to hold the key executives personally accountable for achieving specific ESG objectives.

Another issue is the lack of transparency on how ESG measures and executive compensation are linked. To improve on this, companies should explain the selection of ESG factors that affect executive compensation, set specific targets that executives have to attain and the metrics used to assess whether these targets have been achieved, and disclose the weightage of ESG measures on overall incentive plans.

3.4 What are some common examples of how companies have integrated ESG into their day-to-day operations?

Given the pressing need to manage carbon emissions, a top priority on the sustainability agenda of most companies is to transition to cleaner energy, reduce energy consumption and waste and adopt low-carbon alternatives. This can be as simple as replacing all lights with LEDs, optimising air handling units by changing its operating hours and temperature points, and installing low-cost solar panels to generate renewable energy. For large energy users and large carbon emitters, there is urgency to embark on the energy transition journey in view of, among other things, tighter regulations on emissions and an increase in carbon tax in 2024. For example, in the energy and chemical industry, companies are adopting new systems and enhancing existing infrastructure to improve energy efficiency, harness untapped or alternative sources of energy and reduce wastage.

Companies have also invested in training their employees in sustainability issues. For example, Temasek Holdings holds regular training for its investment teams to enable them to spot ESG issues when making investment decisions and during business development activities with potential investee companies.

The Singapore Government has been proactive in promoting adoption of ESG measures and it has also dished out various grants to drive sustainable development in line with Singapore Green Plan 2030. Enterprise Singapore launched the Enterprise Sustainability Programme, which, among other things, provides support for companies to develop a strategy for its sustainability development and be better equipped to adapt to sustainability trends. Additionally, the Government has also implemented incentive schemes, such as the Resource Efficiency Grants and Energy Efficiency Funds, to support businesses with industrial or manufacturing facilities in improving their energy efficiency.

3.5 How have boards and management adapted to address the need to oversee and manage ESG issues?

With increasing regulatory and stock exchange requirements in sustainability reporting and growing awareness among stakeholders of the relevance of ESG issues to businesses and investments, boards and management teams of companies are required to build up their capacity to meet such requirements and greater scrutiny from stakeholders. For SGX listed companies, it is a requirement for directors of such companies to undergo training on sustainability matters unless they already have such expertise. As part of the Enterprise Sustainability Programme, which is expected to benefit at least 6,000 companies, courses on ESG essentials targeted at senior management and executives are subsidised by Enterprise Singapore to enable them to have a greater understanding of ESG.

The challenge for boards and management will be integrating ESG factors into corporate strategy to deliver long-term value for investors while navigating the complex interrelationships of national and global factors. The local companies are at different stages of developing their own strategies to address ESG priorities and opportunities, with some relying on external advisers to kick-start the process while some have a dedicated team to oversee and manage ESG issues. Larger corporates may set specific targets for each business unit to hold them accountable for contributing towards achieving the corporates' overall ESG goals.

4 Finance

4.1 To what extent do providers of debt and equity finance rely on internally or externally developed ESG ratings?

Providers of debt and equity finance such as banks, institutional and individual investors, asset managers and investment funds are increasingly starting to consider ESG ratings provided by ESG providers (e.g. MSCI and Sustainalytics) and traditional ratings agencies (e.g. Moody's and S&P) to assess the ESG risks of companies. In July 2021, the Bank of Singapore became the first bank in Asia to incorporate ESG factors in its assessment of the loan quantum for investment financing. It offered a higher financing quantum when the loan was secured by a mutual fund rated AAA or AA by the MSCI ESG Ratings.

MAS also encourages banks, as part of their assessment process for credit facilities or capital market transactions, to refer to external ratings on environmental performance or develop their own risk assessments and rating methodologies in assessing the environmental risks of their customers, especially for sectors with high environmental risk.

However, the reliability of ESG ratings is being called into question, as there is a lack of uniformity in the ESG ratings systems due to variations in methodologies adopted. The absence of a standard approach for ESG ratings remains a key challenge for investors seeking to assess the ESG risks of listed equities. In an attempt to address this, the SGX has published a comparison table setting out the ESG ratings in respect of stocks listed on the SGX across five ESG ratings providers that are broadly applicable, such as MSCI, Sustainalytics and Moody's.

4.2 Do green bonds or social bonds play a significant role in the market?

While green and social bonds still make up a minority of overall bond volume issuances, this is rapidly changing in Singapore, fuelled by initiatives both in the public and private sector.

On the public sector front, the Singapore Government is championing the growth of the green bond market in Singapore. At Budget 2022, it announced that S$35 billion of green bonds would be issued by 2030 to fund public sector green infrastructure projects and since then, it has launched the Singapore Green Bond Framework (SGBF) setting out, among other things, the Government's intended use of green bond proceeds and mechanisms to evaluate eligible projects. Notable recent green bond issuances subject to the SGBF include MAS's issuance of Singapore's S$2.4 billion inaugural sovereign green bond in August 2022 to finance Singapore's expenditure under the Singapore Green Plan 2030, and the issuance by PUB (Singapore's national water agency) of its S$800 million inaugural green bond in September 2022 to finance water security and sustainability projects, which was twice oversubscribed.

To incentivise the issuance of green bonds, MAS also launched the Sustainable Bond Grant Scheme (SBGS), which helps defray expenses of up to S$100,000 for external reviews of green, social, sustainability and sustainability-linked bonds (SLBs).

On the private sector front, green bond issuances have been gaining traction, and significant growth for such issuances has been observed in the market. A notable recent issuance would be the issuance of Singapore's first corporate green retail bond by Frasers Property Limited in September 2022, which attracted strong interest from investors.

Social bond issuances are, however, still a budding development. In April 2022, Perpetual (Asia) Limited (in its capacity as trustee of First Real Estate Investment Trust) issued Singapore's first healthcare social bond. The issuance also marked the first time Credit Guarantee and Investment Facility, a trust fund of the Asian Development Bank, provided a guarantee for a social bond issued in the market.

4.3 Do sustainability-linked bonds play a significant role in the market?

Similar to green and social bonds, SLBs still make up a minority of the total ESG bond market, but this is rapidly changing in Singapore. As of 2021, Singapore has been the market leader in the Association of Southeast Asian Nations (ASEAN) for sustainability-linked loans (SLLs) and SLBs, accounting for 84.5% of the market. Notable SLB issues in recent years include:

- Surbana Jurong was the first Southeast-Asian-based company to issue a S$250 million SLB;
- Ascott Residence Trust was the first listed hospitality trust in Singapore to issue a S$200 million SLB;
- Sembcorp Industries was the first energy company in Southeast Asia to launch a S$675 million SLB; and
- Nanyang Technological University, one of Singapore's universities, issued the world's first publicly offered SLB by a university.

As mentioned above, to incentivise the grant of SLBs, the SBGS was launched by MAS to defray similar review expenses with respect to SLBs.

4.4 What are the major factors impacting the use of these types of financial instruments?

The growth in the issuance of green bonds, social bonds and SLBs can be attributed to factors such as the need to raise capital for the anticipated increase in green and sustainability-linked projects, increasing awareness and interest amongst investors in ESG investments, the rise in government and regulatory initiatives to promote the use of such instruments, and issuers wishing to demonstrate their green credentials and commitment to ESG.

As mentioned above, the Singapore Government has committed to issuing S$35 billion of green bonds by 2030 to finance green public sector infrastructure projects, and has published the SGBF for this purpose. The increase in the number of green infrastructure projects can, in turn, be attributed to Singapore's ambition of reaching net-zero carbon emission targets by 2050 and its commitment to transition toward cleaner energy sources.

On the other hand, concerns have been raised by investors as to possible greenwashing and the absence of effective redress, under green bond instruments, for an issuer's failure to use proceeds for green purposes and inadequate reporting, which have the potential to discredit such financial instruments. Record outflows from ESG funds in recent years have also been attributed to greenwashing concerns. In any case, to combat greenwashing, issuers of green financing instruments have spent considerable effort in documenting their key performance indicators (KPIs) and engaging third parties such as Sustainalytics to provide a second opinion on the alignment of their financing framework with internationally recognised frameworks.

4.5 What is the assurance and verification process for green bonds? To what extent are these processes regulated?

The environmental credentials of green bonds are assured and verified by independent providers such as Sustainalytics to ensure that bond issuances are aligned with internationally recognised frameworks, such as the International Capital Market Association's Green Bond Principles, the CBI's Climate Bond Standard (CBS) or the ASEAN Green Bond Standards. The verification process can take the form of a second-party opinion (SPO), certification under the CBS (which is conditional on assurance by an approved verifier that the bond meets the CBS requirements), green ratings and/or the issuance of an assurance report by accounting and auditing firms. For example, the SGBF, which lays the foundation for the issuance of green bonds by the Singapore Government, was externally reviewed by Sustainalytics, which provided an SPO on the Framework. The Ministry of Finance will also separately engage an independent provider to provide annual external verification on the alignment of the allocation and impact reporting with the Framework.

In Singapore, assurance and verification processes are not mandated through regulation, but they are encouraged. Over 60% of all green deals in Singapore were not externally reviewed in 2021, and for the deals reviewed, SPO was the most common type of review. To encourage issuers to undertake an external review of green bonds, MAS launched the SBGS to defray the costs of undertaking such external reviews. To qualify for the scheme, issuers must conduct a pre-issuance external review or rating to demonstrate alignment with internationally recognised green standards.

5 Trends

5.1 What are the material trends related to ESG?

Some of the material trends related to ESG include a move towards increased mandatory sustainability reporting, accessibility to consistent and comparable ESG data and efforts to combat greenwashing.

With respect to climate-related disclosures, the SGX has announced a phased approach to climate reporting for listed companies. For sustainability reports published in 2023, climate reporting will be mandatory on a 'comply or explain' basis, and climate reporting will be purely mandatory for issuers in certain industries in subsequent years. The Accounting and Corporate Regulatory Authority, which is the regulator of business registration in Singapore, has also set up an advisory committee with the Singapore Exchange Regulation to look into extending sustainability reporting to all Singapore-incorporated companies and not just SGX listed companies.

MAS and SGX recently launched ESGenome, a digital disclosure portal to facilitate sustainability reporting by SGX listed companies on a common set of ESG metrics, which will allow investors to access comparable ESG data, provide more meaningful peer benchmarking and track sustainability commitments made by the companies. This is one of the several initiatives piloted under Project Greenprint, an effort by MAS to work with industry players to promote better ESG data, which is needed to support green finance through use of innovation and technology.

Efforts to combat greenwashing have also intensified on the back of increased greenwashing awareness, which threatens to erode confidence in ESG products. For example, in July 2022, MAS published a circular on disclosure and reporting guidelines for retail ESG funds to tackle greenwashing risks. Among other things, ESG funds would have to disclose, in an annual report, the actual proportion of investments that meet the fund's ESG focus, as well as how, and the extent to which, the fund's ESG focus has been met during the relevant financial period. Financial institutions have also tapped on artificial intelligence (AI) platforms to combat greenwashing, with AI platform NovA! being utilised to detect greenwashing by comparing actual sustainability performance indicators from third parties against a borrower's self-declaration.

5.2 What will be the longer-term impact of COVID-19 on ESG?

COVID-19 has demonstrated the inter-connectedness between societal issues such as health, inequality and economic well-being and the importance of broader, long-term thinking around the ESG agenda, which was previously considered a niche area.

Investors are also drawing similarities between the unpredictability and unforeseen risks of pandemics and climate change. COVID-19 demonstrated the limits of financial forecasting models that do not factor in non-linear systemic risks. As a result, investors have increasingly begun to consider a company's ESG performance and risk assessment alongside other traditional metrics such as a company's financials. This is demonstrated by the significant increase in sustainable investments over the past year.

Amid the Russia-Ukraine War, ESG concerns have temporarily taken a backseat as countries have to turn back to fossil fuels to combat energy insecurity. However, such roadblocks are unlikely to be permanent, as COVID-19 has demonstrated the importance of diversification and adaptability, which, in turn, will lead companies and nations to increase their investment in green energy and green technologies.

Quak Fi Ling is Co-Head of the Sustainability & Responsible Business and Private Equity Practices, and a Partner in the Mergers & Acquisitions Practice at WongPartnership LLP. Her main practice areas are mergers & acquisitions, privatisations, private equity investments and corporate and commercial transactions.
Fi Ling is recognised for her corporate/mergers & acquisitions expertise by *Chambers Asia-Pacific 2022* and *Chambers Global 2021*, and has been a recommended lawyer in *The Legal 500 Asia Pacific* since 2019 for Corporate and M&A law in Singapore. She has also been recognised as a notable practitioner in M&A and Private Equity by *IFLR1000* since 2019. She is praised for being "smart and a strong negotiator" as well as "highly appreciated for her comprehensive advice which addresses risks that can be overlooked by others".

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

Tel: +65 6416 8023
Email: FiLing.Quak@wongpartnership.com
URL: www.wongpartnership.com

Tiong Teck Wee is the Co-Head of the Sustainability & Responsible Business Practice. Teck Wee has advised a wide variety of clients on numerous ESG-related issues ranging from regulatory compliance to litigation exposure. Teck Wee also regularly contributes to various publications and speaks at conferences on ESG-related issues and climate litigation.
Teck Wee is also a Partner in the Commercial & Corporate Disputes Practice. His main areas of practice are in multijurisdictional, complex, high-value commercial and corporate disputes. Teck Wee has represented and acted for global private, public, and state-owned clients from various global jurisdictions (such as Singapore, Malaysia, India, Japan, PRC and the U.S.) in the Singapore High Court and in international arbitrations under the rules of major arbitral institutions, and in *ad hoc* arbitrations under the UNCITRAL Rules. Teck Wee has also advised and acted for both private investors and State parties in investment treaty arbitrations.

WongPartnership LLP
12 Marina Boulevard Level 28
Marina Bay Financial Centre Tower 3
Singapore 018982

Tel: +65 6416 8112
Email: TeckWee.Tiong@wongpartnership.com
URL: www.wongpartnership.com

Headquartered in Singapore, WongPartnership is a market leader and one of the largest law firms in the country. We offer our clients access to our offices in China and Myanmar, and in Abu Dhabi, Dubai, Indonesia, Malaysia, and the Philippines, through the member firms of WPG (a regional law network). Together, WPG offers the expertise of over 400 professionals to meet the needs of our clients throughout the region.
Our expertise spans the full suite of legal services to include both advisory and transactional work where we have been involved in landmark corporate transactions, as well as complex and high-profile litigation and arbitration matters. WongPartnership is also a member of the globally renowned World Law Group, one of the oldest and largest networks of leading law firms.

At WongPartnership, we recognise that our clients want to work with the best. As a partnership of exceptional individuals, we are committed in every way to make that happen.

www.wongpartnership.com

WONG PARTNERSHIP

ICLG.com

Current titles in the ICLG series

Alternative Investment Funds
Anti-Money Laundering
Aviation Finance & Leasing
Aviation Law
Business Crime
Cartels & Leniency
Class & Group Actions
Competition Litigation
Construction & Engineering Law
Consumer Protection
Copyright
Corporate Governance
Corporate Immigration
Corporate Investigations
Corporate Tax
Cybersecurity
Data Protection
Derivatives
Designs
Digital Business
Digital Health
Drug & Medical Device Litigation
Employment & Labour Law
Enforcement of Foreign Judgments
Environment & Climate Change Law
Environmental, Social & Governance Law
Family Law
Fintech
Foreign Direct Investment Regimes
Franchise
Gambling
Insurance & Reinsurance
International Arbitration
Investor-State Arbitration
Lending & Secured Finance
Litigation & Dispute Resolution
Merger Control
Mergers & Acquisitions
Mining Law
Oil & Gas Regulation
Patents
Pharmaceutical Advertising
Private Client
Private Equity
Product Liability
Project Finance
Public Investment Funds
Public Procurement
Real Estate
Renewable Energy
Restructuring & Insolvency
Sanctions
Securitisation
Shipping Law
Technology Sourcing
Telecoms, Media & Internet
Trade Marks
Vertical Agreements and Dominant Firms

The International Comparative Legal Guides are published by: glg global legal group