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SGX RegCo Shares Key Elements for a Credible Climate Transition Plan

Introduction

On 8 September 2023, the Singapore Exchange Regulation ("**SGX RegCo**") issued the "[Regulator's Column: Developing and executing a credible climate transition plan](#)", highlighting three key elements of developing, executing and disclosing a credible climate transition plan, which companies should adopt. In June 2023, the inaugural IFRS Sustainability Disclosure Standards ("**ISSB Standards**"), that required information about a company's climate transition plan as part of its strategy, were published. The ISSB Standards were endorsed by the International Organization of Securities Commissions (IOSCO) as an effective and proportionate global framework for investor-focused sustainability reporting. In July 2023, the Accounting and Corporate Regulatory Authority (ACRA) and SGX RegCo conducted a public consultation setting out the Sustainability Reporting Advisory Committee's (SRAC) recommendations to, among other things, implement mandatory climate reporting requirements in a tiered and phased manner ("**Consultation Paper**"). The requirements would first apply to issuers of equity securities on SGX-ST ("**SGX-ST equity issuers**") and then to large non-listed companies above a certain annual revenue threshold. It is proposed, among other things, that the ISSB Standards be used as baseline reporting standards. You may read more about the key recommendations/proposals in our July 2023 Client Update, available [here](#).

SGX RegCo expects to consult on amendments to the SGX-ST Listing Rules to align sustainability reporting requirements with the ISSB Standards by the end of 2023. SGX RegCo aims to finalise its recommendations on mandatory climate reporting for SGX-ST equity issuers by 2024, taking into account the feedback received in response to the Consultation Paper. It is an involved process to create a transition plan, and having an early start will ease the transition to reporting against the ISSB Standards. To help you and your business with the process, this Update outlines the three key elements of developing, executing and disclosing a credible climate transition plan and action items as stated in the Regulator's Column.

Three Key Elements of a Credible Climate Transition Plan

The following are three key attributes of credible transition plans shared by SGX RegCo, noting also that the details of each company's specific strategies and measures may vary significantly to reflect its unique circumstances.

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1. Thorough understanding of material climate-related risks

Action items:

- ✓ Gain a more in-depth understanding of the sources, severity, and likelihood of material climate risks to their business prospects. Such climate risks comprise both physical (acute and chronic) and transition risks.
- ✓ Evaluate key business decisions and develop a sound, strategic response to mitigate these risks, after identifying and understanding the material risks and their interdependencies.
- ✓ Where relevant, engage with a full range of stakeholders to better understand the risks across the value chain.
- ✓ Assess the risks at the asset level, particularly for companies operating in capital-intensive industries.

2. Robust governance structures for accountability, resourcing, financing, and executing the transition plan

Action items:

- ✓ Implement a clear governance structure, lines of accountability, and appropriate incentive structures.
- ✓ The board of directors and senior management must have formal oversight to set the tone right from the top.
- ✓ Capacity building to equip relevant personnel with the necessary skills and knowledge.
- ✓ Dedicate resources for changes in business operations, e.g., consider how to obtain and allocate the resources and financing needed to achieve transition objectives. Though details will change over time, there should be some indication of how the company intends to resource and finance the plan into the long term.

3. Monitoring actionable, science-based near- and long-term decarbonisation targets

Action items:

- ✓ Set credible decarbonisation targets, with the trajectory of such targets being based on the latest climate science. Targets must be actionable and aligned with a global policy environment where the global economy reaches net-zero emissions by 2050 and global average temperature rise

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is limited to 1.5°C in 2100. Employ a science-based approach to improve understanding of climate-related risks, sensitivity to key assumptions used, and the potential solutions available to the entity.

- ✓ Outline processes and metrics to track progress against the transition plan over long time horizons. This involves feedback loop monitoring of how greenhouse gas emissions change over time, attributable to actions taken as part of the transition plan.
- ✓ Disclose forward-looking metrics, such as projections of emissions reduction over multiple time horizons, to create interim targets that drive implementation in the short and medium term.

If you have any queries on the above development, please feel free to contact our team members below who will be happy to assist.

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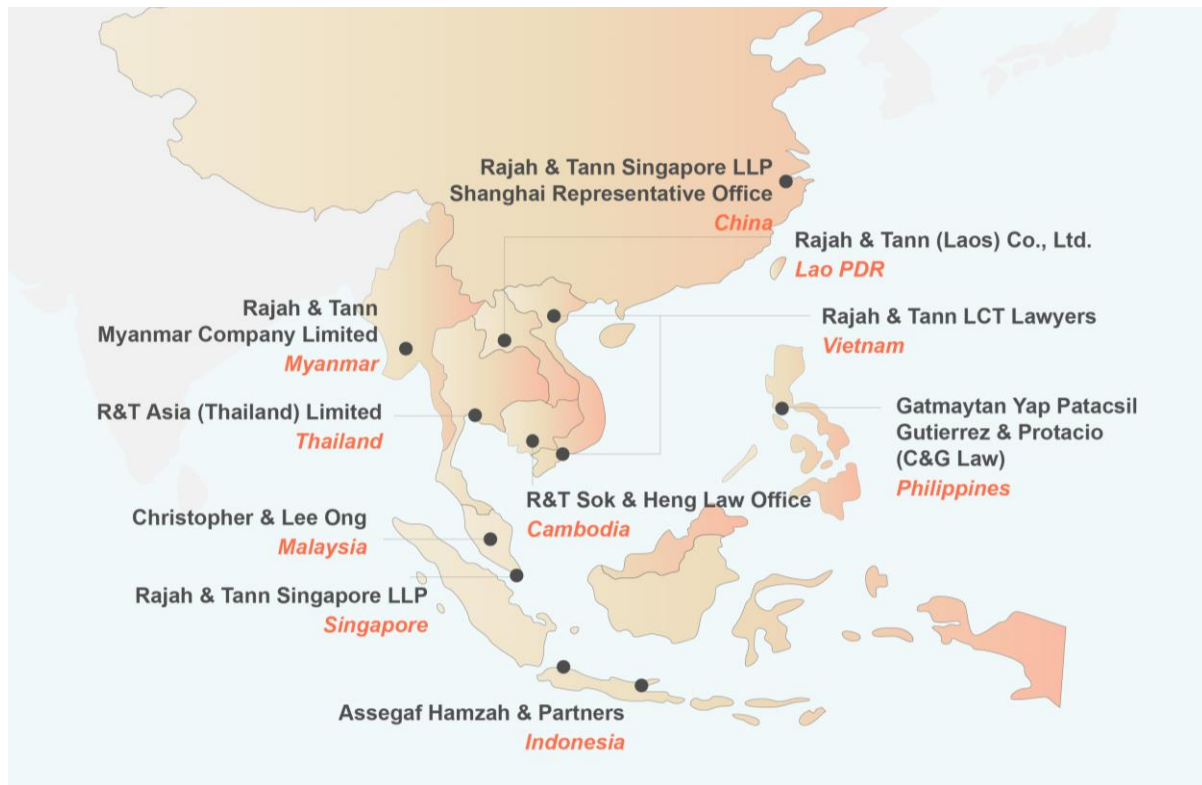
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