CORPORATE GOVERNANCE

SGX RegCo will consider costs, benefits for ESG disclosure requirements: chairman

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AS SINGAPORE Exchange Regulation (SGX RegCo) looks to introduce updated governance and disclosure standards, the market regulator promised to be mindful of costs companies will incur to comply with these standards.

At the Singapore Governance and Transparency Forum held on Aug 3, SGX RegCo chairman Professor Tan Cheng Han spoke about considerations in requiring additional governance and disclosure standards.

“(SGX RegCo chief executive Tan) Boon Gin and I are very much in tandem, of one mind, that whatever we introduce, we must be really personally satisfied that this is something that’s important, something that’s valuable, even if it is painful.

“But especially if it is painful, it must be really valuable, it must really be useful for our market,” he said.

The forum was held in conjunction with the release of the 2022 Singapore Governance and Transparency Index (SGTI), which rose to a high of 70.6 points, from 68.7 points a year before. This marked the first time the index breached 70 points. The real estate investment trust (REIT) and business trust category also improved marginally, to 85.3 points from 85 points last year.

The SGTI was jointly conducted by CPA Australia, NUS Business School’s Centre for Governance and Sustainability (NUS CGS) and the Singapore Institute of Directors. The Business Times is the strategic media partner for the study.

The theme of this year’s SGTI 2022 findings is “driving sustainability through governance”. Professor Lawrence Loh, director of NUS CGS, said: “Sustainability does not just drop down from the sky... governance and leadership will have to drive it,” he said, likening sustainability to a cart, drawn by governance as the horse.

Panellists at the forum expressed concerns about the potential complexities under the environmental, social and governance (ESG) umbrella.

Olam Group chairman Lim Ah Doo acknowledged that SGX RegCo has done well in raising awareness of different ESG issues.

Still, he said, he continues to grapple with questions such as...
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how Olam should measure the impact of climate change factors, such as the rise in global temperatures, on the company’s earnings.

“It’s a very easy question to ask, it’s a relevant question, but I’m not too sure how to answer the questions myself... so you’ll see the kind of challenge that we are facing,” Lim said.

As he believes climate change is currently the biggest threat, he also suggested the focus be placed squarely on a company’s Scope 1, 2 and 3 emissions.

Meanwhile, Far East Orchard group chief executive Alan Tang said the mandatory climate reporting requirement for issuers in select industries from the financial year commencing 2023 may be too soon.

“I think a lot more companies that are probably less resourced will probably be struggling. Therefore, SGX RegCo is in a very good position to assure, handhold and create opportunities to pool resources – to bring them along so that they don’t feel left behind,” he said.

Senior vice-president and head of listing compliance at SGX RegCo June Sim, however, noted that over the years, sustainability, disclosure and transparency have remained key tenets of governance within the regulator's code of corporate governance.

“In my opinion, (ESG) cannot be decoupled... you can't have one without the other,” she said.

Sim added that, as with the roll-out of mandatory climate reporting, the regulator will introduce standards in a phased manner. SGX RegCo will also look into providing more training resources to help companies comply with new standards.

Furthermore, the regulator will be looking to resume its engagements with companies based on its observations of their announcements.

“Some of the independent directors were very thankful that we highlighted some of the areas of observation from public announcements, and some of these matters are also key audit matters where they have discussions with their auditors. So do not be overly concerned if we knock on your door; it is sometimes for a very good cause,” she said.

Deloitte South-east Asia partner Giam Ei Leen noted that even though companies have focused a lot on the cost of disclosure, achieving higher standards can be positive for companies.

“If you have a good story to tell, you have a good sustainability strategy... it is potentially beneficial to the company, right? Because you are viewed favourably by your suppliers, your customers and investors, so it’s not thinking about it as just a cost,” she said.