BlackRock

08 October 2021

Singapore Exchange Regulation Pte. Ltd.
11 North Buona Vista Driver
#06-07, The Metropolis Tower 2
Singapore 138589
(Attention: Listing Policy & Product Admission)

Re: Our response to the SGX's consultation paper on "Starting with a Common Set of Core ESG Metrics"

Dear Sir/Madam,

BlackRock [1] is pleased to have the opportunity to respond to the "Consultation Paper on Starting with a Common Set of Core ESG Metrics", issued by Singapore Exchange Regulation (SGX).

BlackRock supports a regulatory regime that increases transparency, protects investors, and facilitates responsible growth of capital markets while preserving consumer choice and assessing regulatory benefits versus implementation costs.

We welcome the opportunity to comment on the issues raised by this consultation paper and will continue to contribute to the thinking of SGX any issues that may assist in the final outcome.

Executive Summary

BlackRock welcomes the SGX's initiative to call for greater harmonization of standards and taxonomy regarding environmental, social and governance (ESG) disclosure. We agree that it is useful to have a common and standardized set of ESG metrics for issuers to report by and support the proposed list of 27 metrics as a baseline upon which issuers can build to provide a full-scale sustainability report that focuses on information that is financial material, industry-specific and relevant to investment decision-making. We are also supportive of the creation of an ESG data portal and agree that it would facilitate the digitalization of sustainability reports in the future.

Nevertheless, we believe that both issuers and investors would greatly benefit from additional guidance and clarification from SGX on a few areas, which we have elaborated in our response below. Some examples include:

1. A clear guidance that full-scale sustainability reports remain highly relevant to investors, and that companies are expected to report beyond the 27 metrics to include all factors materially relevant to their business and long-term performance
2. Clarification that the submission of the proposed 27 ESG metrics should be accompanied by qualitative information to help investors better contextualize the company's ESG data, the trajectory of its progress as well as its ESG policy commitments and forward-looking targets

[1] BlackRock is one of the world's leading asset management firms. We manage assets on behalf of institutional and individual clients worldwide, across equity, fixed income, liquidity, real estate, alternatives, and multi-asset strategies. Our client base includes pension plans, endowments, foundations, charities, official institutions, insurers and other financial institutions, as well as individuals around the world.

BlackRock

We welcome further discussion on any of the points that we have raised.

Yours faithfully,

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RESPONSE TO CONSULTATION PAPER ON STARTING WITH A COMMON SET OF CORE ESG METRICS

Consultation Questions

Question 1: A Common Set of Core ESG Metrics

(a) Do you agree that it is useful to provide guidance for issuers to disclose a common and standardised set of environmental, social and governance ("**ESG**") metrics?

Please select one option:
☒ Yes
☐ No

Please give reasons for your view:

We agree that it is useful to provide guidance on a common and standardized set of ESG metrics for issuers as it will cater to investors' needs for comparable, consistent data to evaluate company performance within the same industry peer group. Furthermore, this guidance will be helpful for smaller firms, or firms early in their sustainability reporting journey, to focus first on common material ESG metrics.

(b) Do you agree with the list of ESG metrics listed in Part II of the Consultation Paper? Do you have any feedback or suggestions?

Please select one option:
☒ Yes
☐ No

Please give reasons for your view:

We agree with the introduction of the proposed list of 27 ESG metrics as a baseline standard for companies to report by. However, the non-exhaustive nature of this list should be pointed out to the issuers and clarify that the expectation is for them to report beyond these 27 metrics to include all metrics that are materially relevant to their business and long-term performance. For instance, we note an absence of metrics on the suggested list that measures how companies' executive incentive structures and remuneration policies are aligned with performance, value creation and outcomes correlated with business-relevant long-term performance metrics, such as 3-5 year total shareholder returns or returns on invested capital. We believe that executive pay is an important tool to drive long-term value creation by incentivizing and rewarding the successful delivery of strategic goals and outperformance, and suggest that SGX can consider adding such a metric to the list.

In addition, we reiterate that sustainability reports should disclose metrics that are sector-specific, financially material, and relevant to investment decision-making in that they help explain how a company creates value and manages risk, such as those developed by the Sustainability Accounting Standards Board (SASB).

We recognize that some companies may report using different standards, which may be required by regulation or one of a number of private standards. We welcome and respect this to the extent it provides a complete picture of a company's sustainability risks and opportunities. Where this is the case, we also appreciate a section of the report highlighting which of the reported metrics are covered by material sector-specific standards as that provides much valued consistency and enables us to make comparisons amongst sector peers.

Furthermore, on top of just disclosing company performance to the proposed metrics, we believe that issuers should also include forward-looking targets where relevant, as this could help investors and other stakeholders make better sense of the trajectory and direction of the company's sustainability strategy.

Question 2: ESG Data Portal

(a) Do you agree that an ESG data portal with the functionalities described in paragraph 3 of Part I of the Consultation Paper is useful in enhancing alignment between issuers and investors over the use of ESG data? What are some other features you would like to see on the ESG data portal?

Please select one option:
☒ Yes
☐ No

Please give reasons for your view:

We agree that a single portal for issuers to submit their sustainability-related disclosures and data fulfils a need in the market for a centralized distribution point with standardized metrics for investors to utilize. The data portal can potentially make it easier for investors to compile relevant data points without having to rely on third party data providers or scrape data from individual sustainability/annual reports for analysis.

In addition, having such a repository that contains multiple-years of data may enhance the ability of users to identify year-on-year progress, anomalies, and/or data inconsistencies.

We would like to suggest a functionality for companies to voluntarily report on additional sustainability-related data points (beyond the 27 proposed ESG metrics) that they believe are material to their long-term performance. We believe that this is crucial to ensure robust disclosure by companies and to prevent a 'tick-the-box'/compliance approach to reporting.

At the same time, considering how rapidly discussions around global sustainability reporting standards are evolving, this functionality would also provide SGX the flexibility to update the list of data points required to be disclosed in the future, aligned to a global baseline sustainability reporting standard that becomes established.

(b) Do you agree that the ability to generate sustainability reports directly from the ESG data portal will be useful for issuers?

Please select one option:
☒ Yes
☐ No

Please give reasons for your view:

We agree that the ability to generate sustainability reports directly from the portal will streamline the reporting process; this may be particularly helpful for small-cap companies and newly-listed companies in the beginning of their sustainability reporting journey.

However, we would like to reiterate that auto-generated sustainability reports, while convenient, should not be intended as a replacement for full-scale sustainability reports aligned to the GRI, TCFD, or other common reporting standards or frameworks.

Full-scale sustainability reports remain highly-relevant for investors, and we believe that SGX should continue to strongly encourage all issuers to provide full-scale sustainability reports. Although quantitative information like the issuer's performance in accordance to the suggested ESG metrics is important, for investors and other stakeholders interested in understanding and analyzing the issuer's sustainability strategy, the qualitative analysis aspects of reporting – often included in full-scale sustainability reports – matter significantly to investors that are interested in understanding the long-term sustainability strategy of companies.

(c) Do you agree that issuers should be required to move towards digital sustainability reporting, including submitting ESG data in widely used digital formats via the data portal? What are the challenges in doing so?

Please select one option:
☒ Yes
☐ No

Please give reasons for your view:

We agree that digital sustainability reporting can improve efficiency, as it allows for bulk upload of relevant data.

However we would like to reiterate again that the submission of quantitative ESG data onto the proposed portal should be accompanied by qualitative analysis to help investors better contextualize the company's ESG data, the trajectory of its progress as well as its

ESG policy commitments and forward-looking targets. Furthermore, we suggest that the portal should provide a functionality whereby investors can download the underlying raw data in common formats like XML and CSV, amongst others.

Complete ESG disclosures should encompass the disclosure of both quantitative and qualitative metrics and targets. Quantitative disclosures which are consistent and comparable allow investors to monitor the effectiveness of the companies' ESG risk mitigation efforts over time. At the same time, there should be supportive explanatory statements to describe the trend of each metric, and whether they are on track to reach the set targets. Put together, this will provide a clearer picture to all investors, along with regulators, insurers, and the public, of how successfully each issuer is managing sustainability-related questions.