

Singapore Guidelines on
Environmental Risk Management
Are you ready?



Ogier

Singapore MAS Guidelines

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On 8 December 2020 the Monetary Authority of Singapore (**MAS**) released its final Guidelines on Environmental Risk Management (the Guidelines) for banks, insurers and asset managers.

Many banks, insurers, and asset managers are now working towards alignment with the Guidelines.

Why has MAS introduced the Guidelines?

The Guidelines aim to enhance the resilience of financial institutions to environmental risk and strengthen the role of Singapore's financial sector in supporting the transition to an environmentally sustainable economy.

What are the key aspects in focus for asset managers?

The Guidelines will apply to fund management companies registered in Singapore, as well as the holders of a capital markets licence for fund management and real estate investment trust management in Singapore. Asset managers that do not have discretionary authority over the investments of the funds/mandates they are managing are not covered. CMS licence holders for fund management (**LFMC**) and REIT management, and registered fund management companies (**RFMC**) are in scope.

Asset managers may implement the Guidelines in phases, but are expected to showcase their implementation progress over the 18 month transition period outlined by MAS. MAS plans to engage large asset managers from Q2 2021.

There are four key aspects asset managers should be aware of ahead of this including:

1. Focus on environmental risks (going beyond climate-related risk)
2. Three risk channels include physical, transition and reputational risks
3. The Guidelines generally aligned with Taskforce on Climate-related Financial Disclosures (**TCFD**) Recommendations
4. The Guidelines address environmental risk across five pillars:
 - Governance and Strategy
 - Research and Portfolio Construction
 - Portfolio Risk Management
 - Stewardship
 - Disclosure

No 1. Focus on Environmental Risk

Singapore MAS define environmental risk as risks that arise from the potential adverse impact of changes in the environment on economic activities and human well-being. Environmental issues that are of concern include climate change, loss of biodiversity, pollution and changes in land use. These environmental challenges call for urgent collective actions to address environmental risk. The Guidelines therefore encompass

risks beyond climate change alone.

No 2. Three risk channels

The Guidelines detail three risk channels including physical, transition and reputational risk as detailed here.

a) Physical risk arises from the impact of weather events and long-term or widespread environmental changes.

b) Transition risk arises from the process of adjustment to an environmentally sustainable economy, including changes in public policies, disruptive technological developments, and shifts in consumer and investor preferences.

c) Reputational risk can arise when asset managers invest into companies that carry out business activities which have a negative impact on the environment.

No 3. Aligned with TCFD

The measurement of climate-related risks for investors is still an emerging field. To assist with this, the TCFD was established in 2015. TCFD provides recommendations for investors to identify risks and opportunities from climate change and for organisations to improve the standard of climate-related financial disclosures. The Guidelines are generally aligned with TCFD, which focus on climate-related risks only. The TCFD framework principally recognises physical and transition risks, with the MAS electing to also include a standalone "reputational risk" category described above.

Key Guideline Pillars

Governance and Strategy	Research and Portfolio Construction	Risk Management	Stewardship and Disclosure
<p>The Guidelines clarify that asset managers are required to identify, address and monitor material environmental risks pursuant to certain existing risk management regulations in Singapore</p>	<p>Embed environmental risk considerations in research and portfolio construction processes</p>	<p>Monitor, assess and manage the material potential and actual impacts of environmental risk on both individual investments and portfolios on an ongoing basis.</p>	<p>Shape the corporate behaviour of investee companies through engagement and disclose environmental risk management approach to stakeholders</p>

Guidelines for implementation

<p>Board of directors and senior management should oversee the integration of environmental risk into existing risk management frameworks:</p> <ul style="list-style-type: none"> the board (or a committee thereof) is responsible for approving an environmental risk management framework and related policies setting the roles and responsibilities of the board and senior management with respect to the framework ensuring that management has adequate expertise and resources senior managers are responsible for developing, implementing and reviewing the framework. 	<ul style="list-style-type: none"> refer to international standards and frameworks (e.g. the Global Reporting Initiative, CDP, SASB and TCFD) when considering transition and physical risks at an individual asset and/or portfolio level deemed appropriate) asset managers must also be mindful of limits that their customers may set on exposure to specific sectors or types of activities, like sector limits on investments in the fossil fuel industry or caps on portfolio-wide carbon emissions. 	<ul style="list-style-type: none"> asset managers should develop capabilities in scenario analysis to evaluate portfolio resilience under different environmental risk scenarios 	<ul style="list-style-type: none"> shape the corporate behaviour of their investee companies through engagement, proxy voting and sector collaboration flexibility given to manager in determination of appropriate stewardship approaches asset managers may refer to international reporting frameworks, like the TCFD Recommendations, when preparing such disclosures.
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Note: this is a summary only, complete information can be found in the MAS Guidelines.

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ESG and Impact Services

Ogier Global's ESG and Impact Services team offers bespoke ESG and Impact design, integration, and implementation solutions. We support our clients to navigate ESG goals and regulatory guidelines and requirements such as the MAS Guidelines on Environmental Risk Management, SFC Fund Manager Code of Conduct climate-related requirements and more.

How can Ogier Global's ESG and Impact Services team help you?

We support financial market participants by helping navigate ESG goals and regulatory requirements and leveraging the landscape of sustainable investing opportunities.

1	2	3	4
Policy	Governance	Investment and Risk Management	Report
Why are you considering ESG and have you got firm policies or codes addressing your beliefs?	Who is going to take responsibility for the investment decisions?	What ESG data and tools are in place, how will the ESG investment decisions be made and implemented?	How will you monitor and report ESG performance?
Policy	Team	Data	Metrics
Do you have an ESG investment policy statement?	What is the internal oversight structure for ESG?	What ESG data, tools, systems will be built internally and how will you link it to risk management?	What metrics will you use to measure ESG progress?
Codes	Tasks	Engage	Monitor
What codes, initiatives and frameworks do you wish to sign up to?	How will ESG tasks be organised?	Will you conduct proxy voting and engagement and have this integrated into investment decisions?	How will you identify, assess and measure/monitor ESG risks?
Beliefs	Train	Investment	Report
What is your rationale and beliefs for adopting ESG?	What ESG training will be given to talent?	What will be the ESG investment decision process and how will it be incorporated?	How will ESG be reported to investors?

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Practice Areas: Sustainable Investment Consulting

Background:

Leonie Kelly leads Ogier Global's Sustainable Investment Consulting services to private equity firms, asset managers, institutional investors, family offices, foundations and corporates working to integrate ESG factors into operations and investment processes, and to navigate ESG policy and regulation. As a respected voice in the industry with more than 12 years' experience as an expert in sustainable finance, Leonie is well placed to assist clients across the broad spectrum of ESG and impact solutions.

Leonie has considerable experience as an expert in sustainable finance and has lived and worked in Ireland, UK and Hong Kong.

She is an advisor to Sustainable Finance Initiative Asia, a member of the Securities & Futures Commission Climate Change Expert Group, and a mentor at Resolve Foundation Hong Kong.

She has been a panel member at various ESG and sustainable finance forums including BNP Paribas Sustainable Future Forum, Social Enterprise Summit HK, Green Bonds Asia, Private Wealth Asia Forum and is an active author of ESG market insights.

Prior to joining Ogier, Leonie was a Partner at Sustainable Finance Initiative Asia focused on building an investor platform to promote the growth of sustainable finance in Asia and mobilise private capital for positive impact. Leonie was also previously Head of Impact Innovation & Investment at the Zoological Society of London where she led the development of the world's first Rhino Impact Bond. At Deloitte LLP she principally worked across sustainability and impact advisory projects for financial institutions, corporates, charities and social enterprise.

Leonie is a Fellow of the Finance Innovation Lab of London, and holds a MSc in Environment & Development from The London School of Economics & Political Science, and a BA in Economics and Geography from Trinity College Dublin, Ireland.

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Background:

Kasia Zatorska is a senior manager within Ogier Global's Sustainable Investment Consulting team and brings more than 14 years of experience working with asset managers, asset owners and hedge funds to the role. Prior to joining Ogier, Kasia led Institutional Shareholder Services (ISS) Hong Kong office and oversaw the firm's wider Asia-ex Japan portfolio. At ISS, Kasia deepened her knowledge of ESG metrics, reporting standards and stewardship codes. Prior to her time at ISS, Kasia was at Legal and General Investment Management in London; where she gained first-hand experience on how to design and implement ESG thematic frameworks.

Kasia is a macroeconomist by training and has substantial expertise in research and quantitative assessment. Her journey with sustainable investment started in 2013 at Legal & General Investment Management (LGIM) where she was employed to research long-term sustainability in the asset management investment themes. She also worked for several years as an ESG consultant for LGIM delivering research for the deployment of the Future World Fund, with a particular focus on climate change.

During her time at Institutional Shareholder Services, Kasia was an active member of the Asia Investor Group on Climate Change (AIGCC), the Hong Kong Green Finance Association and other Asia-based industry groups.

Kasia holds an MSc in International Economics from Poznan University of Economics and an MSc in Political Science from Aalborg Universitet.

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Background:

Shirley Lo is an assistant manager within Ogier Global's Sustainable Investment Consulting team, with experience in ESG and sustainability and a solid understanding of the sustainability landscape. Shirley previously worked in the Climate Change and Sustainability Services team at a leading consultancy firm, where she helped clients respond to the growing regulatory and stakeholder concerns.

Before joining Ogier in 2022, Shirley supported an energy company in demonstrating its commitment to sustainability along the value chain by enhancing its responsible procurement framework.

Shirley has provided professional advisory services in setting governance structures, strategies, performance KPIs, and the disclosure approach for clients from various industries, including banking, utility, real estate, customer goods, food and beverage, entertainment, and hospitality management.

Shirley holds a BSc in Environmental Management and Technology from the Hong Kong University of Science and Technology.

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