Growing Asia's Markets

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**Monetary Authority of Singapore**
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The below responses will be submitted to the Monetary Authority of Singapore online system on or before 18 December 2023.

## ASIFMA Response to MAS Consultation on Guidelines on Transition Planning for Asset Managers

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| 1. | I wish to keep my identity and responses confidential for the entire submission. | NO |
| 2. | Name | Yvette Kwan |
| 3. | Organisation | Asia Securities Industry & Financial Markets Association ("**ASIFMA**") |
| 4. | I am responding on behalf of my organisation. | YES |
| 5. | Contact Number | +852 6751 6137 |
| 6. | Email Address | ykwan@asifma.org |

**Q1. MAS seeks comments on the proposed definition of transition planning.**

*On behalf of the Asset Management Group ("**AAMG**") of the Asia Securities Industry & Financial Markets Association ("**ASIFMA**"), we would like to submit our response to the Monetary Authority of Singapore ("**MAS**") Consultation on Guidelines on Transition Planning (Asset Managers) ("**TPG**").*

*Our members, who are predominantly global asset managers, welcome the MAS's action on this topic as we believe that transition planning is an important aspect of environmental risk management for asset managers, amongst other climate-related risk and opportunities considerations.*

*We expect Singapore to adopt the ISSB Standards as The Accounting and Corporate Regulatory Authority ("**ACRA**") and Singapore Exchange Regulation (**SGX Regco**) have recently consulted on the recommendations by the Sustainability Reporting Advisory Committee ("**SRAC"**) including baseline climate reporting which mirrors requirements in the ISSB Standards. Our preference is for the definition of transition planning to be derived from the ISSB definition of 'climate-related transition plan' and 'climate-related transition risks' to ensure consistency and alignment with ISSB Standards and ensure comparability with other jurisdictions that will also adopt or mirror the ISSB definitions.*

*If the intention of the MAS is to assist asset managers to manage their transition risk as suggested by the focus of the proposed TPG, then we would suggest that it is in fact a transition risk planning guideline where the proposed definition, akin to 'transition risk planning,' may be appropriate. In such a case, it should be made clear so there is no confusion with internationally recognised definitions of transition planning, such as those from ISSB and the UK Transition Plan Taskforce ("**TPT**").*

*Notwithstanding these overriding comments, we wish to clarify 'tangible input' in TPG Footnote 1 where "Transition plan refers to the firm's tangible output of the transition planning process." We note the proposed definition of 'transition planning' is in turn derived from internal strategic planning and risk management processes. Internal strategic planning and risk management processes may be inputs into transition planning, but such processes may also be the output of transition planning. We seek further guidance on MAS' expectation or examples of 'tangible output.' For example, would a business plan with decarbonisation target meet the expectation stipulated in paragraph 1.2 of the TPG.*

*Separately, it would be useful for the MAS to additionally footnote that changes in the business model could come from a variety of sources, such as new technologies and regulatory developments, to help illustrate what the 'tangible output' would be expected to include.*

*We would also encourage the MAS, perhaps as a next step, to work with the industry to come up with implementation guides that provide mapping of requirements under the TPG with other global initiatives for transition plans and their disclosure, for example the UK TPT Disclosure Framework and Asset Manager Sector Guidance, to assist asset managers to navigate between the frameworks and enhance interoperability.*

***Q2. MAS seeks comments on the proposed context for the TPG as laid out in paragraph 1.3 of the TPG.***

*We understand that the TPG is intended to supplement the Guidelines on Environmental Risk Management for Asset Managers ("**ENRM Guidelines**") with 'additional granularity in relation to asset managers' transition planning processes.' We would like to understand how the two sets of guidelines would interact in practice and wonder if the ENRM Guidelines could be successively enhanced to incorporate the content of the TPG and other future ESG-related topics. At first instance, we would suggest that the ENRM Guidelines be concurrently updated to reference transition planning and the TPG within its strategy section, aligning with the TCFD Recommendations.*

*<u>Role of asset managers</u>: Asset managers play an important role in supporting the economy-wide transition to net-zero via their investment activities. Nevertheless, it is critical to recognise that asset managers have a fiduciary obligation to manage assets according to client directives, and accordingly we believe that asset managers can support but cannot be used as a proxy to regulate other industries in the net-zero transition of the real economy.*

*<u>Principles-based approach</u>: As transition planning is still evolving internationally, we would suggest that the MAS adopt a more principles-based approach, rather than prescribe expectations. We note that the TPG lists extensive considerations that an asset manager 'should' undertake and we are concerned that those asset managers that err on the side of caution may*

*consider all of these considerations as mandatory requirements. We think that it is important that MAS emphasise its stated supervisory expectation for implementation of the TPG commensurate with the size and nature of an asset managers' activities. It would be helpful if the MAS could highlight the differing TPG requirements and applicability for different asset classes. For example, the TPG may be applicable to listed equity and corporate debt, but not sovereign debt.*

*<u>Decarbonisation targets and regional considerations</u>: We agree that asset managers can 'consider' the setting of decarbonisation targets in paragraph 1.3(a)(i) as they may not be relevant to all client mandates, as portfolio decarbonisation targets may in some cases be inconsistent with the asset manager's fiduciary obligations. We would also highlight that current non-standardised methodology and lack of industry consistency may result in different or even incorrect decarbonisation trajectories.*

*To support the 'global transition to a low carbon economy' we suggest that asset managers be encouraged to reflect on geographical differences in the regions of their underlying assets. It is important that the TPG acknowledges the difficulties in accessing data from less developed markets, which could hinder investments into areas that would greatly benefit from additional capital. In this regard, it is important that transition planning not have an unintended consequence of redirecting capital from where it is needed most.*

*Global asset managers are impacted by a myriad of ESG regulations. We would like to request for the MAS to consider harmonising requirements across the major jurisdictions, such as UK, Luxembourg, Taiwan to ensure that global managers with funds domiciled in one jurisdiction, managed in another and sub-managed in yet another are subject to a similar set of guidelines given that the end goal - a transition to a net zero economy - is similar.*

*<u>Portfolio versus real-world transition planning</u>: There is a clear tension between an asset manager's own transition planning which may require divestment of businesses exposed to climate mitigation and adaptation risks, and the expectation in paragraph 1.3(b)(i) to avoid "indiscriminate withdrawal of investment from (such) investee companies or sectors." It would be helpful if the TPG acknowledges the challenges in balancing these two expectations and provide further guidance.*

*<u>Communicating transition planning</u>: Our members believe that it is important for asset managers who have set targets to regularly report on progress against the short-, medium- and long-terms to provide confidence to stakeholders that action is being taken and progress made. To prevent unnecessary fragmentation of approaches, asset managers could be encouraged to describe existing frameworks they have adopted, including the ISSB standards, in designing their transition planning.*

*It would be helpful however if the MAS could issue implementation guidance or provide illustrative examples on how asset managers can properly reflect temporary increases in financed emissions versus longer-term decarbonisation plans. A member suggests that it could be useful to separately report assets which are seeking to influence real-world decarbonisation into a separate 'bucket' for engagement versus divestment to better balance the tension in portfolio-level versus real-world decarbonisation targets.*

*Please also refer to our response to Question 20 on phased implementation of the TPG.*

**Q3. MAS seeks comments on whether the drafting of paragraph 1.3 (d) of the TPG on factoring in the climate-nature nexus accords asset managers with sufficient flexibility to improve their understanding of other environmental-related risks and risk management processes over time. What are some tangible areas regarding other environmental-related risks (e.g. vulnerability on water availability) that you would see value in having elaboration in the guidance?**

*Proposed paragraph 1.3(d) of the TPG refers to managing environmental risks beyond climate-related risks in a holistic manner due to interlinked risks. We agree with this approach and note that nature capital, including forests, water and climate-diversity nexus is an important topic due to the inter-related risks from resource degradation and biodiversity loss, and in light of the recommendations of the Task Force on Nature-related Financial Disclosures ("**TNFD**"). We would however highlight that environmental risks beyond climate-related risks may be generally more difficult to measure. At this stage, we suggest reiterating the importance for asset managers to consider environmental-related risks to managed portfolios in the context of a sector-specific materiality framework, and areas such as water scarcity and biodiversity loss could be provided as examples of material risks specific to certain industries.*

*We would additionally suggest that social risks in transitioning to a low carbon economy and any resultant funding requirement for climate adaptation, are an important aspect that should also be acknowledged, especially in Asian markets at different levels of development. We believe that it is important to incorporate a 'just transition' into the context of the TPG, noting definitions that have been (or are being) developed by various bodies around the world, including International Labor Organization, the Institute for Human Rights and Business, as well as the UK Transition TPT.*

*As these abovementioned aspects of transition planning are still evolving, we strongly urge that the wording of paragraph 1.3(d) encourages voluntary consideration and is not a mandatory requirement. At a minimum, we would suggest reference to "other <u>material</u> environmental risks." An implementation guide could also provide examples for further guidance.*

*<u>Data availability and quality</u>: As with 'ESG' and 'climate' integration into investments, any environmental risk evaluation has to be supported by good quality data (and data providers) sufficient for investment decision making. Until then, reliance is on qualitative research and discussion, and cannot be a significant part of investment analysis. Adoption of more data will also increase the cost to asset managers. Hence, the TPG should acknowledge the above points and be realistic in the adoption expectation of asset managers, considering 1) the nascency of other environmental factors, 2) the cost consideration, and 3) efforts commensurate with achieving a product's (or asset manager's) sustainability objective.*

**Q4. MAS seeks comments on the entities and business activities that are in the proposed scope of the TPG.**

*<u>Alignment with ENRM Guidelines</u>: For ease of interpretation, we would suggest that the proposed scope of the TPG makes reference to the scope of the ENRM Guidelines, if the intention is to mirror the scope of the ENRM Guidelines.*

*We welcome MAS' proposal of allowing asset managers that are branches or subsidiaries of global group to take guidance from their Group's transition planning as long as the Group's transition planning approach meets the MAS' expectations. However, for ease of interpretation, we would suggest the final guideline use the same language as the ENRM Guidelines, so that Singapore asset managers that are part of global group can leverage on the Group's framework and policies on (i) governance & strategy, (ii) portfolio management, (iii) engagement and stewardship; and (iv) disclosure for compliance if these meet the principles set out in TPG.*

*<u>Fiduciary duty</u>: While assessing the 'potential materiality of climate-related risks, as well as their impact on customers' portfolio returns across different investment horizons' can be seen as part of fiduciary duty, we do not believe that to "educate customers on the importance of considering climate-related risks in their investment portfolios" is a part of fiduciary duty. Asset managers could provide "tools to support them in making well-informed assessments of the impact of climate change on their assets," however it is the role of the client (or asset owner) to ask for the tools, or to request for education on climate related risks. We would further like to add that the unique set of circumstances and objectives of each client differ and a single approach to engagement is not feasible. As one example, some global managers may have clients who are subject to 'anti-ESG frameworks (for example, in certain states of the United States). Such requirements may also be subject to political changes. Global managers would need to manage the sensitivities around that. We suggest that asset managers' education efforts should be left to the discretion of the manager, commensurate with the manager's size and nature of activities, and need to be part of broader societal or governmental efforts to enhance environmental / financial literacy for the population at large.*

*<u>Application to banks</u>: Under paragraph 3.3 of the Consultation Paper on Guidelines on Transition Planning (Banks), banks with material investment activities should also additionally refer to the relevant sections of the TPG for asset managers, for sound transition planning practices with respect to investments. We seek MAS clarification if the following business models are in scope of the proposed TPG:*

*a) Discretionary portfolio management services offered by banks which are exempt Capital Markets Services license holders for Fund Management as part of its overall product and services suite to its customers, and*

*b) financial institutions with multiple regulated activities including Fund Management who house a team of asset managers but are not considered a 'fund management company' as their primary business is not investment management ("**non-FMC FIs**").*

*For business model a) above, we note that MAS intends for the ENRM Guidelines and TPG to be generally applicable where banks have discretionary authority over the investments. We would seek MAS' confirmation that banks may determine the materiality of such investment activities using criteria appropriate to their circumstances (e.g. contribution to assets, revenue, risk-weighted assets or staff headcount) and correspondingly, the applicability of the ENRM Guidelines and TPG.*

*For business model b) above, we seek MAS' confirmation that the scope remains unchanged from that of the ENRM Guidelines, where the applicability to such non-FMC FIs will be limited to the asset management team.*

*Notwithstanding our comment on fiduciary duty in paragraph 1.5 of the TPG, we would like to clarify if the expectation to 'engage and educate' means to have uniform disclosure or educational material on climate risk for all customers, or in the case of banks and non-FMC FIs, only for customers under its discretionary portfolio management or asset management services.*

**Q5. MAS seeks comments on the proposed expectations on governance and strategy as laid out in paragraphs 2.1 to 2.3 of the TPG.**

*Given that sustainability and transition planning is a global topic, many of the decisions on this topic are made by the group or head office for our members which belong to global groups. We would suggest that the MAS allow asset managers which are part of global groups to take guidance from or leverage their group transition planning governance and strategy, policies and procedures, similar to the allowances available in the ENRM Guidelines, rather than imposing expectations on the local board and senior management beyond broad oversight.*

*<u>Paragraph 2.2(d)</u>: We suggest explicit acknowledgement that asset managers must also prioritise the management of assets in line with client expectations and guidance, as follows "Ensuring that internal strategies and plans are consistent with any publicly communicated climate-related strategies and commitments, <u>and in respect of managed assets, such internal strategies and plans should also be consistent with client expectations and mandates</u>."*

**Q6. MAS seeks comments on the proposed approach to portfolio management as laid out in paragraphs 3.1 to 3.3 of the TPG.**

*<u>Proportionality</u>: As the TPG is to be implemented commensurate with the size and nature of an asset managers' activities, our members would expect pure index tracking strategies to be out of scope of the proposed approach to portfolio management, with the exception of the engagement and stewardship efforts as proposed in paragraph 3.3(d).*

*Similarly, we would expect that asset managers may have discretion in determining the approach to be taken and granularity applied in assessing each of their investee companies to fulfil the requirements of paragraph 3.1 to 3.3. For example, while investee companies in carbon-intensive sectors may be assessed for their carbon emissions, it may not be meaningful to apply the same assessment to all other investee companies in other sectors. In particular, we consider it important that the considerations in paragraph 3.3 be subject to materiality as applied to specific portfolios.*

*<u>Paragraph 3.2</u>: We suggest replacing "This will allow targeted, measurable progress in the investee companies' responses to climate-related risks." with "This will allow an asset manager to better understand the investee companies' responses to climate-related risks." Members believe the latter better reflects the role of an asset manager and the objective of stewardship activities.*

*<u>Paragraph 3.3</u>: Members are concerned about the suggestion that asset managers need to create portfolio strategies that cater to different investee companies. In order to more accurately reflect the asset management business model, we suggest rephrasing this paragraph into examples of considerations that asset managers can take into account, to the extent material,*

*when developing portfolio management strategies with respect to specific products or client mandates.*

*Paragraph 3.3(b): Asset managers are not in a position to assess sufficiency of ambitions. We suggest to delete the phrase 'sufficiently ambitious.'*

*Paragraph 3.3(d): Asset managers are not in a position to guide investee companies to make transition plans or guide the pace of their decarbonisation. We suggest replacing to better reflect the objective of engagement, which is to understand how investee companies are addressing the risks and opportunities arising from the transition.*

*Finally, asset managers' ability to track metrices and decarbonization targets is dependent to a large degree on investee companies' disclosures. Not all investee companies have the same level of disclosures regarding metrices and decarbonisation targets. While asset managers can play a part with engagement to encourage increased disclosures, the decision of how much to disclose and to what extent will ultimately be up to investee companies. The limitations of engagement to effect outcomes should be acknowledged in the TPG.*

**Q7. MAS seeks comments on the proposed expectations on the use of forward-looking tools for portfolio management as laid out in paragraphs 3.4 and 3.5 of the TPG.**

*We agree that forward-looking tools, such as scenario analysis, in the transition planning process can lead to risk discovery and quantification. However, scenario analysis can also lead to qualitative information, particularly where there is a lack of data and where methodologies are still developing. As such, there should not be an explicit expectation that such tools will only lead to quantitative outcome, but only where it is reasonably practicable and applicable. Please refer to our response to Question 3 on the considerations around data availability and quality.*

*Paragraph 3.5: we suggest adding 'where available'. "…an asset manager should factor in forward-looking information, such as the investee companies' transition plans where available, to better…" and delete the reference to asset managers seeking the adequate integration of climate-related risks in financial statements. The latter in particular should be the role of policymakers.*

**Q8. MAS seeks comments on the proposals set out in paragraphs 3.6 to 3.9 and paragraph 3.12 of the TPG, particularly in relation to the expectations around setting of decarbonisation targets by asset managers.**

*Whether an asset manager is able to set decarbonisation targets for any mandate is dependent on the client requirements specified in the mandate, such that only a portion of the assets under management may be in scope to support climate positive outcomes. We would also note that the engaging and educating of customers in paragraph 3.12 needs to be commensurate with a manager's size and nature of activities, and be part of broader environmental / literacy education for the population at large. Ultimately, asset managers may have limited ability to determine the objective of their clients.*

*On the setting of decarbonisation targets, we believe that there needs to be greater recognition within the TPG of various approaches that can be taken. The current proposals make reference to portfolios' emissions profiles which aligns with a top-down target approach. We make* *reference to the Paris Aligned Investment Initiatives' Net Zero Investment Framework ("**NZIF**") which also includes bottom-up targets, if applicable. Such bottom-up targets can, for example, be based on the percentage of companies which are aligned to net zero.*

*Paragraph 3.6: The second last sentence does not seem applicable to asset managers as they typically do not submit risk assessments to decision-makers (this may be more relevant to banks and insurers). We suggest for it to be deleted.*

*Paragraph 3.9: Suggest adding '(if any)' to references to targets in the first two sentences, for consistency with the rest of this paragraph and the TPG generally.*

*Paragraph 3.12: We suggest reframing this to better reflect the asset management business model. In particular, since this paragraph acknowledges the challenges of setting portfolio decarbonisation targets, we think it may be counter-productive to require asset managers to seek to expand the scope of coverage of its targets over time.*

*We suggest, wording similar to "MAS recognises there may be challenges in setting decarbonisation targets for certain investments or portfolios due to various reasons, such as lack of credible data and methodology or the asset manager's fiduciary obligation to manage assets in accordance with client directives. For such investments, the asset manager should document its explanation on the approach taken to address material climate-related risks and opportunities, as well as any mitigation actions taken, where applicable. This could include, for example, working with and providing disclosures to clients to help them understand the impact of the transition on their portfolios and make informed investing decisions."*

**Q9. MAS seeks views on the proposed required attribution process set out in paragraph 3.10 of the TPG, including any practical constraints that asset managers may face.**

*We note that attribution only applies if target have been set in the first place. We would suggest the paragraph reference 'actual trajectories vis-à-vis targets set (if any)."*

*Attribution can be referenced at a company or portfolio level. At a company level, for example, variance could arise due to an investee company's inability or unwillingness to meet its own plan. We would suggest that the paragraph acknowledge that a variance may not exclusively lie with the asset manager.*

*A structured process could technically be established to attribute cause to specific factors where there is a misalignment between the portfolios' actual trajectories versus targets set, and we would suggest that the paragraph refer to any material variance.*

*A robust quantitative process would need to incorporate multiple factors, which requires significant resources and effort, and also need to incorporate a degree of flexibility to cater for constraints such as a change of data providers, changes of assumptions and proxies used by providers, short-term fluctuation, regulatory changes and business expansion of investee companies. Notwithstanding these challenges, we would also note the potential for data variability, for example, data provided by a data provider resulting in a different assessment from that provided by an investee company, and where access to a provider's underlying data/methodology is unavailable to conduct validation.*

*Some members would suggest a less prescriptive process due to data variability, the heavy burden on asset managers and also to avoid the unintended consequence and potential risk of disinvestment in carbon intensive sectors, even if they have good transition plans, in order to meet portfolio proposed trajectories. We would note that a qualitative process can also provide a certain level of checks and balances.*

*With jurisdictions preparing to adopt the ISSB standards into their national frameworks, the corporate climate reporting landscape is expected to improve significantly over time. Coupled with the increasing regulatory attention on transition planning, members expect the quality of transition planning to concurrently evolve. Members would encourage a less prescriptive approach at this stage as a mechanical process focused on finding attribution factors may pose a disproportionate burden on asset managers and may even discourage early adoption of transition planning and target setting.*

**Q10. MAS seeks views on whether it would be useful to specify broad categories for attribution referenced in paragraph 3.10 of the TPG, and if so, what such categories could include.**

*We anticipate it may be difficult to establish causality across all factors and believe it may be pre-mature to discuss specific categories in the TPG. Additionally, any categories would need to be sufficiently broad in order to cater for idiosyncrasies across the spectrum of companies, regions etc, which could limit the benefits of specifying categories.*

*As a result, many of our members believe that categories should not be specified, and asset managers should be allowed to explain variance based on their own models. On the other hand, one member suggests that it could be useful to specify broad categories, such as changes in regulatory or environmental circumstances, internal and external shocks to investee company's business model.*

**Q11. MAS seeks views on whether the drafting in paragraph 3.11 of the TPG will allow asset managers to support climate positive outcomes. Please also highlight if there are other considerations to include in the drafting to ensure that these are done in a credible manner and not used as a means of transition washing.**

*We note that whether an asset manager is able to set decarbonisation targets for any mandate is dependent on the client requirements specified in the mandate, such that only a portion of the assets under management may be in scope to support climate positive outcomes. We suggest that the requirements of paragraph 3.11 should only apply to those client mandates where such targets are able to be set.*

**Q12. MAS seeks views on whether paragraphs 3.13 to 3.15 of the TPG provide an adequate overview of the people, processes and systems necessary for a robust implementation of asset managers' transition planning.**

*Our members consider the expectations, especially in paragraph 3.15, to be best practice which will be difficult and costly to implement. Asset managers will likely be on a spectrum of implementation levels which is dependent upon resource availability. The TPG should acknowledge proportionality and be realistic in its adoption expectations. In particular, if the requirements in 3.13 were to remain as is, an implementation period of at least 24 months would be required for some members, given the long lead times required to hire and train staff.*

*We suggest that paragraph 3.13 is duplicative as paragraph 5.7 of the ENRM Guidelines already has a similar requirement. In particular, the requirement for asset managers to hire staff seems overly prescriptive as firms should be able to have the flexibility to build capacity in the manner most suitable for them, for example by training existing staff.*

*Paragraph 3.14 also seems duplicative as paragraph 2.3 of the TPG already contains similar obligations.*

*Finally in paragraph 3.15 we suggest adding '(if any)' after "…the tracking and analysis of the asset manager's targets and commitments (if any)" for consistency.*

**Q13. MAS seeks comments on the proposed guidance on engagement and stewardship as laid out in paragraphs 4.1 to 4.8 of the TPG.**

*We agree and recognise the importance of engagement and stewardship as a means for asset managers to address climate-related risks in their portfolios. That said, in order to better reflect the objective of stewardship, we suggest rephrasing Paragraph 4.1 as follows: "Active engagement and stewardship can help asset managers better understand the material risks and opportunities faced by investee companies in the transition to a low carbon future and help mitigate portfolios' exposure to climate-related risks."*

*Our members differentiate between active engagement and stewardship in terms of decision-relevance and resource-allocation, and would suggest for example that for passive strategies, efforts may be confined to responsible stewardship as a minimum standard. We would suggest that the level of engagement as referenced in paragraphs 4.1 to 4.8 should be at the discretion of asset managers and commensurate with the size and nature of the asset manager's activities. For example, paragraph 4.6 may not be feasible for asset managers with investments in listed companies in which holdings are not significant enough for them to exert significant influence. Additionally, engagement with listed companies typically does not include taking an active role in management activities (which is what developing an investee company's transition plan would be). This would also be highly impractical from a listed investee company's perspective as they would need to manage direct input from multiple asset managers. To avoid confusion, we would suggest that paragraph 4.6 be moved to an implementation guide or rephrased to "An asset manager should, if possible, aim to support investee companies …"*

*<u>Regional considerations</u>: We would take the opportunity to highlight that engagement and stewardship activities in emerging markets may not be as effective as in more mature and developed markets, and therefore it may take a longer time to see the impact of supporting investee companies in the transition to net-zero.*

*<u>Prioritisation</u>: We agree with the proposal in paragraph 4.3 to identify and prioritise investee companies for engagement, rather than engage with all investees. In addition to engagement, we note that some asset managers may engage in collaborative engagement together with industry counterparts. Given anti-competition concerns of other members, we support the current wording of paragraph 4.2 where collective engagement participation can be considered, but 'subject to applicable laws and regulations.'*

*Data collection: Members are concerned with the suggestion in paragraph 4.5 on data collection. The requirement potentially conflicts with the requirement to have 'scalable and consistent processes' in paragraph 3.14. For example, for public companies, in practice our members collect data via data providers in the first instance, and then only use direct data to correct errors or fill gaps. On the other hand, stewardship teams typically engage with listed issuers and should not ask to be supplied with extensive data that is not in the public domain. Instead, the focus should be to encourage robust and decision-useful public disclosure by issuers.*

*Engagement by asset managers can be a means of highlighting for companies any material disclosure gaps that they should look to address. We therefore recommend deletion of references to collection of data and also the use of a data collection template, which may be more relevant for bank lending or insurer underwriting activities.*

*Divestment: The TPG suggests that asset managers take an engagement approach rather than divesting indiscriminately. Our members would suggest that divestment should not be seen as a 'last option' and depending on the size of a holding, it may be more resource-effective to divest a small holding without engaging with an investee company.*

*Stewardship toolkits: MAS can provide examples of stewardship toolkits which asset managers can make use of, such as the UK Stewardship Code, Institutional Investors Group on Climate Change ("**IIGCC**") Net Zero Stewardship Toolkit and PRI Guide to Stewardship.*

**Q14. MAS seeks views on whether paragraph 5.1 of the TPG should reference other reporting frameworks.**

*Given the ISSB standards have only recently been released, with transitional measures in place for roll-out in different jurisdictions, reporting in line with ISSB under paragraph 5.1 may be difficult to implement in the short-term. Please refer to our response to Question 20 on the preferred implementation timeline.*

*The Task Force on Climate-Related Disclosures ("**TCFD**") should be referenced as a reporting framework.*

**Q15. MAS seeks views on whether paragraphs 5.1 to 5.3 of the TPG set out the key aspects necessary for market transparency.**

*Our members are of the view that the sector-specific disclosure approach under paragraph 5.2 of the TPG is too granular and onerous to implement. Having a sector specific approach and disclosure for each sector will require significant resources. We would suggest that the MAS give asset managers the discretion to determine the appropriate approach to disclosure, based on materiality to the asset managers and a focus on high impact sectors. We therefore strongly suggest that paragraph 5.2 be deleted, as the principles-based approach outlined in paragraph 5.1 is sufficient for market transparency.*

*For product-level disclosures under paragraph 5.3, we agree that asset managers should have the discretion to consider "the appropriate level of disclosure of climate-related considerations embedded in every product" but would like to clarify if the MAS' intention is to limit such disclosure to retail products. We would note that not every product has climate-related elements* *embedded in the investment objectives and it is appropriate for the asset manager to determine the right level of disclosure.*

**Q16. MAS seeks views on whether paragraphs 5.1 to 5.3 of the TPG provide sufficient additional guidance (i.e. in addition to existing expectations in paragraphs 7.1 and 7.2 of the ENRM Guidelines) for asset managers to disclose information related to their response to material climate-related risks and governance around processes for addressing such risks.**
*Please refer to our response to Question 15.*

**Q17. MAS seeks views on the proposal in paragraph 5.3 of the TPG for asset managers to consider the use of taxonomies in product-level disclosures, including the suitability of including GFIT's Singapore-Asia and ASEAN taxonomy as examples. For instance, would such suggestions restrict or support asset managers' transition financing activities?**
*Our members are of the view that there should not be an explicit expectation to disclose taxonomies if taxonomies are not being used as an input into the investment process. There is the risk that taxonomy disclosure would otherwise become an output or tick box exercise, as has been observed in other jurisdictions where product-level taxonomy disclosures are required. Therefore, we would suggest not making reference to the use of taxonomies in product-level disclosures.*

*Whilst we appreciate that this is framed as a voluntary provision, members nevertheless feel that the robustness and interoperability of taxonomies still need to evolve before product-level taxonomy alignment disclosures can become meaningful. If the MAS were inclined to consider the use of taxonomies in product-level disclosures, a phased-in approach will be required to allow sufficient time for asset managers to prepare. As most global asset managers adhere to EU taxonomies, it would also be useful if a mapping of taxonomies was available to enhance interoperability. However, our preference would still be that taxonomies are a consideration and not an expectation.*

**Q18. MAS seeks views on the cited areas of disclosure under paragraph 5.4 of the TPG (i.e. factors, inputs, methodologies, material assumptions and dependencies underlying its disclosures), such as whether there are any practical constraints or competitiveness concerns in providing such disclosures.**
*We would suggest that disclosure be kept at a high level to provide clarity on the limitations of approaches and give context to the models used by asset managers, without imposing undue burden. Asset managers should not be required to fully disclose third party methodology, such as model logic, proxy data, data collection processes, which may be very technical and of limited value to downstream consumers.*

*We would also highlight that there may be instances where legal agreements entered into with data providers restrict managers from disclosing data, methodologies or assumptions to any other third party, including customers.*

*As such, we strongly suggest that, at a minimum, the second sentence of paragraph 5.4 be changed to begin with "<u>Where reasonably practicable</u>, the asset manager should disclose…"*

**Q19. MAS seeks suggestions of other examples of transition planning practices currently implemented by asset managers that could be incorporated in the TPG.**

*Many of our asset manager members expect to reference the UK's TPT Disclosure Framework which is likely to be embedded within existing TCFD requirements for UK listed companies and asset managers. Some members would also reference the transition planning practices of the Net Zero Asset Managers Initiative.*

**Q20. MAS seeks comments on the proposed implementation approach, including the proposed transition period of 12 months.**

*As mentioned in our response to Question 2, we believe that asset managers can support but cannot be used as a proxy to regulate other industries in the net-zero transition of the real economy. Transition planning guidance is still evolving internationally, especially that for asset managers. We would suggest a phased implementation approach starting with voluntary adoption.*

*Ideally, our preference is for the TPG to come into effect a year after listed companies start reporting in alignment with ISSB's climate-related disclosures. We believe appropriate sequencing should be followed across the investment chain. If a long transition period is not acceptable, we would support a transition period of at least 18 months, consistent with the transition period provided when the ENRM Guidelines were finalised, which will allow time to address system enhancements, vendor evaluation, client outreach and formulation and review of a long-term plan.*