Consultation Paper

July 2023

Turning Climate Ambition into Action in Singapore

- **Recommendations by the Sustainability Reporting Advisory Committee**

PREFACE

1. With support from the Ministry of Finance, ACRA and SGX RegCo set up the Sustainability Reporting Advisory Committee (SRAC) in June 2022.

2. SRAC's roles include advising on a roadmap for wider implementation of sustainability reporting by companies in Singapore. The roadmap will uphold Singapore's attractiveness as a global business hub while contributing to our national agenda on sustainable development under the Singapore Green Plan 2030.

Request for Comments

3. ACRA and SGX RegCo invite the public to provide comments on the SRAC's report by 30 September 2023. Comments may be submitted by clicking the following button.

PROVIDE YOUR COMMENTS

4. To ensure that the consultation exercise is effective, respondents are requested to observe these guidelines:

a. Identify yourself and the organisation you represent; and

b. Where possible, substantiate your response with illustrations, together with suggestion(s) on how the recommendation(s) can be improved.

Turning Climate Ambition into Action in Singapore

Recommendations by the Sustainability Reporting Advisory Committee

Contents

Glossary of Terms

Term	Definition
ACRA	Accounting and Corporate Regulatory Authority
AGM	Annual General Meeting
CA	Companies Act 1967
CPE	Continuing Professional Education
CRD	Climate-related disclosures
EnterpriseSG	Enterprise Singapore
ESG	Environmental, Social and Governance
EU	European Union
FS	Financial statements
FY	Financial year
FYE	End of the financial year
GHG	Greenhouse gas • Scope 1 emissions are direct emissions from owned or controlled sources. • Scope 2 emissions are indirect emissions from the generation of purchased energy. • Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions.
GRI	Global Reporting Initiative
IAASB	International Auditing and Assurance Standards Board
IEC	International Electrotechnical Commission
IFRS	International Financial Reporting Standards
IOSCO	International Organization of Securities Commissions
ISO	International Organization for Standardization
ISSA 5000	IAASB's International Standard on Sustainability Assurance, *General Requirements for Sustainability Assurance Engagements*
ISSB	International Sustainability Standards Board
ISSB Standards	Standards issued by the ISSB in June 2023, comprising: • IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* • IFRS S2 *Climate-related Disclosures*
Limited Assurance	Primarily includes procedures such as inquiries and analytical procedures, and does not necessarily include a consideration of whether internal controls have been effectively designed. The conclusion is usually provided in a negative form of expression (e.g., "nothing has come to our attention…").
Reasonable Assurance	Entails extensive procedures, which may include consideration of internal controls and tests of details. The conclusion is usually provided in a positive form of expression (e.g., "in our opinion, the subject matter information presents fairly…").
Listed Issuers	Issuers of equity securities listed on Singapore Exchange Securities Trading Limited, comprising Singapore-incorporated and foreign-incorporated companies, business trusts, investment funds (excluding exchange traded funds) and real estate investment trusts
Listing Rules	SGX Listing Rules (Mainboard) and SGX Listing Rules (Catalist)
NLCos	Non-listed companies
NZ	New Zealand
SAC	Singapore Accreditation Council
SGX Group	Singapore Exchange
SGX RegCo	Singapore Exchange Regulation
SMEs	Small and Medium Enterprises
SRAC	Sustainability Reporting Advisory Committee
SS ISO 14064-3	Singapore Standard on Greenhouse gases Part 3: *Specification with guidance for the verification and validation of greenhouse gas statements*
TCFD	Task Force on Climate-Related Financial Disclosures
TIC firms	Testing, Inspection, Certification firms refers to third party entities that provide testing, inspection or certification services to provide assurance on the quality of products and services against regulatory or industry standards.
UK	United Kingdom
US	United States of America
$	Refers to Singapore dollars, unless otherwise stated

Foreword

ESTHER AN
Chairperson, SRAC

Dear Stakeholders,

Urgent Action to Combat Climate Change

The Earth is now about 1.1°C warmer than it was in the 1800s. We are not on track to meet the Paris Agreement's target to limit global temperature rise to 1.5°C above pre-industrial levels.[1]

With the carbon clock ticking, the wave of change has swept our shores.

Global actions are gaining pace with:

- 5,319 **investors**, representing US$121 trillion of assets under management, have signed the Principles for Responsible Investment, where investors incorporate ESG issues into their investment decisions and seek ESG disclosures by the entities they invest in;[2]
- over 550 **financial institutions** with US$152 trillion in assets have joined forces under the Glasgow Financial Alliance for Net Zero to steer the global economy towards net zero emissions facilitated by credible, decision-useful climate data and transition plans;[3]
- over 4,000 **companies** covering over one-third of the global economy's market capitalisation, have set climate targets or committed to do so via the Science Based Targets initiative (SBTi);[4] and
- an increasing number of **consumers** have changed their consumption habits because of their stance on the environment.[5]

Climate Reporting as an Enabler

With the above-mentioned global shifts, our local businesses are coming under increasing scrutiny to do their part.

A global study by Standard Chartered showed that 78% of multinationals planned to remove those suppliers that could endanger their carbon transition plans by 2025. 57% were also prepared to replace emerging market suppliers with developed market suppliers to aid their transition. This could create a US$146.6 billion opportunity for our businesses that demonstrate the ability to measure, manage and disclose GHG emissions.[6]

At City Developments Limited, we embarked on sustainability reporting as it forms a lever for climate action. Our journey over 16 years has allowed us to reap energy savings of over $38 million and secure over $3 billion in sustainable financing. By identifying and managing sustainability-related risks and opportunities, we are now better placed to balance shareholders' value and our impact on the environment.[7]

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[1] 1.5°C is considered the upper limit to avoid the worst fallout from climate change (United Nations: Climate Action Fast Facts, April 2023).

[2] PRI: Quarterly signatory update, 4Q 2022.

[3] GFANZ: 2022 Progress Report, November 2022.

[4] SBTi drives ambitious climate action in the private sector by enabling organisations to set science-based emissions reduction targets (About Us, April 2023).

[5] 42% of 10,000 individuals surveyed in Canada, Germany, Japan, Singapore, UK and US by Deloitte indicated so: #GetOutInFront Global Research Report, December 2020.

[6] Standard Chartered: Multinational Companies Planning to Cut Suppliers by 2025, June 2021.

[7] City Developments Limited: Integrated Sustainability Report 2023, March 2023.

Foreword

Acceleration of International Developments

Established reporting standards, provided by organisations such as GRI, have helped corporates to measure and benchmark their ESG impacts and outcomes over the years. Formed more recently, the ISSB is setting a global baseline for sustainability disclosures to fulfil the information needs of investors. Together, they provide frameworks and tools for corporates to systematically build sustainability perspectives into their strategies, future-proofing their businesses for the long haul.

Sustainability or climate reporting has been legislated in at least eight jurisdictions for listed issuers. Moving a step further, four jurisdictions, namely, EU, NZ, Switzerland and UK have recently passed laws to mandate sustainability or climate reporting on certain larger non-listed companies.

The Path Forward for Singapore

ACRA and SGX RegCo, with support from the Ministry of Finance, set up the SRAC to advise on the roadmap for sustainability reporting by companies in Singapore.

As the Chairperson of SRAC, I hope these recommendations will rally economically significant corporates and other stakeholders towards realising our national climate targets and transitioning to a green economy.[8]

In making these recommendations, we have adopted practical measures aligned with Singapore's ambition. The measures include focusing on climate reporting at the start and using a phased and tiered implementation timeline, to allow room for nation-wide capacity building.

We look forward to your views on SRAC's recommendations.

ESTHER AN
Chairperson, SRAC

[8] Prime Minister's Office Singapore: Singapore's Climate Targets - Overview, April 2023; Singapore Green Plan: Green Economy, April 2023.

Executive Summary

With support from the Ministry of Finance, ACRA and SGX RegCo set up the SRAC in June 2022. The SRAC's roles include advising on a roadmap for wider implementation of sustainability reporting by companies in Singapore. The roadmap will uphold Singapore's attractiveness as a global business hub while contributing to our national agenda on sustainable development under the Singapore Green Plan 2030.

Reaping Benefits from Reporting, while Combating Climate Change

Globally, there is corporate, investor, lender and consumer momentum for bolder climate action to limit global warming to 1.5°C under the Paris Agreement. To survive and do well in this new environment, companies need to decarbonise and pivot towards greening their products and services.

Companies ahead of the curve in their decarbonisation journeys could benefit through access to new markets and customers and financing. Those who are slow to act may lose out to their competitors. They could also be at risk of being removed from the value chain for not doing enough to incorporate climate risks into their business models and strategies.

The sooner companies measure their emissions and develop climate strategies, the sooner they can transform their businesses to succeed in a low-carbon future.[9] Climate reporting will provide certainty to this direction of travel and act as a diagnostic tool to help our companies understand and meet the challenges ahead, thereby realising the opportunities presented by climate change.

[9] PwC: Are you ready for the ESG revolution?, June 2021.

Executive Summary

International Regulatory Developments

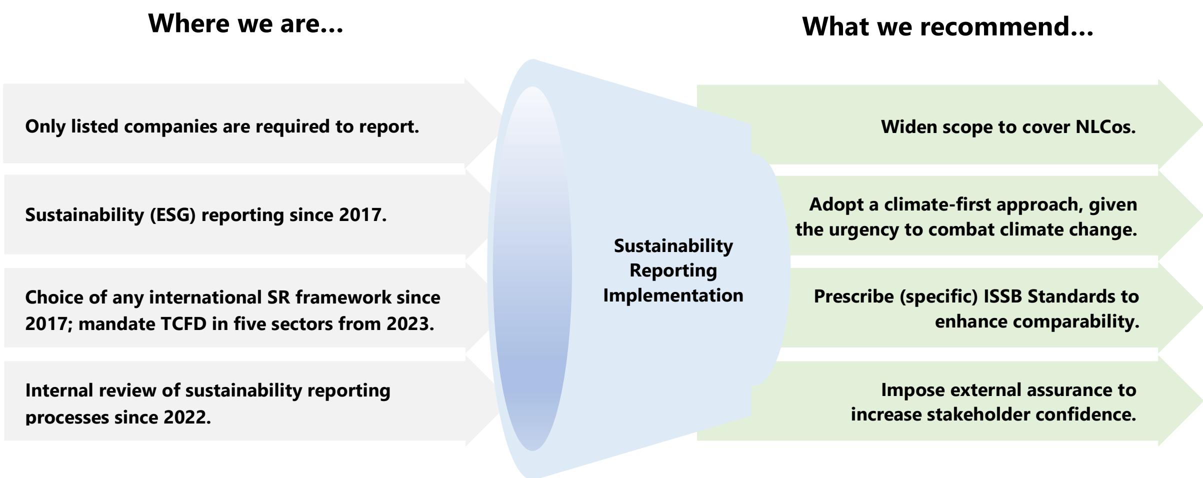
Globally, at least eight jurisdictions have mandated sustainability or climate reporting requirements via legislation on their listed companies. EU, NZ, Switzerland and UK require mandatory reporting in accordance with specific frameworks covering listed and non-listed companies. Meanwhile, China, Indonesia, Japan and Vietnam's requirements are framework-agnostic covering only listed companies.

In April 2023, the G7 Ministers called for partners beyond the G7 to implement mandatory CRD, to provide consistent and decision-useful information for market participants.[10] This is seen as a necessary step to accelerate sustainable finance and help achieve global climate goals.

Mandating Climate Reporting via Companies Act

We aim to turn Singapore's climate ambition into action. Our recommendation is to extend mandatory climate reporting to large NLCos, which are economically significant and well-placed to drive changes across their value chains. Together with the Listed Issuers, they will be required to report ISSB-aligned CRD and obtain external assurance to meet the information needs of investors, lenders, and other users.

Figure 1. Broad directions of the SRAC's recommendations



Our recommendation for wider adoption of disclosures underpins a market-based approach to incentivise companies to transform and build resilience, among other benefits. Disclosures provide the necessary data to enable investors and lenders to assess how climate change affects companies' prospects and facilitates the allocation of capital. Companies that have put in place sound strategies to build resilience,

[10] Group of Seven (G7) is an informal grouping of seven of the world's advanced economies, namely Canada, France, Germany, Italy, Japan, UK and US. (G7 Climate, Energy and Environment Ministers' Communiqué, April 2023)

manage climate risks and report progress will be rewarded and thrive in a low-carbon economy.

SRAC Balancing Climate Ambition with Practicality

While we believe there are clear benefits to mandating reporting for large NLCos, we recommend pacing the implementation timeline considering international adoption of climate reporting and the phase-in period required for companies to adjust.

We also recommend beginning with climate reporting to manage the compliance burden and provide time for capacity building. We start with Limited Assurance on Scope 1 and Scope 2 GHG emissions and allow audit firms and TIC firms to provide the service. Doing so will expand the talent pool thereby lowering the costs.

We have consulted over 90 stakeholders before finalising our recommendations.[11] Their suggestions and views have been incorporated in the recommendations.

Figure 2. A balanced approach

[11] These stakeholders include company preparers, assurance providers, readers of report, trade associations and professional bodies.

Executive Summary

Who Needs to Report? Listed Issuers will lead the way and be required to report ISSB-aligned CRD from FY2025. This will be followed by NLCos with revenue of at least $1 billion in FY2027.

A review will be conducted in 2027 with the view to mandate climate reporting on NLCos with revenue of at least $100 million a few years later, by around FY2030. The review will consider factors such as international developments, industry capacity and the implementation experience of larger NLCos.

What to Report? Climate reporting using the prescribed CRD, mirroring the requirements in the ISSB Standards to the extent practicable. Companies may concurrently report using other standards such as GRI. Reliefs from complex disclosures such as Scope 3 GHG emissions will be available.

What to Externally Assure and by Whom? Obtain external Limited Assurance in respect of its Scope 1 and Scope 2 GHG emissions two years after the mandatory reporting requirements take effect. ACRA-registered audit firms and SAC-accredited TIC firms can apply to be climate auditors; they are required to conduct assurance work using endorsed local standards modelled on ISSA 5000 or ISO 14064-3.

When to Report and File? Same reporting, circulation, tabling at AGM and filing timelines as FS. Mechanism to apply for extension of time is available. File in digital structured format to facilitate data consumption by the public.

Who is Responsible for Compliance? Same legal responsibilities as those for financial reporting (company, directors and officers), except for the requirements to devise and maintain internal controls system, which will be encouraged but not mandated.

Table 1 below summarises the phased and tiered implementation timeline.

Table 1: Proposed implementation timeline

	Report prescribed baseline CRD (with reliefs)	Report Scope 3 GHG emissions	Obtain external Limited Assurance over Scope 1 & Scope 2 GHG emissions
	FY beginning on or after 1 January		
All Listed Issuers	2025	2026	2027
NLCos with annual revenue of at least $1 billion	2027	2029	2029
NLCos with annual revenue of at least $100 million to less than $1 billion	A review will be conducted in 2027 with the view to require reporting a few years later, by around FY2030.		

Executive Summary

Capacity Building to Support Implementation

The Ministry of Trade and Industry, in partnership with SkillsFuture Singapore, has set up a Green Skills Committee to drive Singapore's efforts in developing the skills and training programmes required for a green economy. One of its working groups, led by ACRA and EnterpriseSG, is tasked to develop the skills plan focusing on sustainability reporting and assurance.[12]

To empower and partner companies in the green transition, EnterpriseSG has launched the Enterprise Sustainability Programme. With $180 million set aside, the programme will help Singapore companies, especially SMEs, build capabilities and capture opportunities in the local and global economy. This includes initiatives such as workshops and guides to help SMEs with sustainability reporting, as well as other initiatives to help SMEs manage their carbon emissions.[13]

Workforce Singapore's Capability Transfer Programme aims to support companies that require transfer of niche and emerging skills and knowledge through a foreign specialist to its local workforce.[14]

SGX Group has conducted and will continue to conduct capacity building efforts to build awareness and skillsets in the ecosystem. SGX RegCo intends to work with partners such as ACRA, Singapore Institute of Directors and GRI to conduct training for directors to deep dive into specific sustainability-related issues and for working-level preparers of sustainability reports to strengthen their technical knowledge on sustainability reporting.

The Institute of Singapore Chartered Accountants is actively engaged in capacity building efforts focused on sustainability. It has organised conferences and events, rolled out courses, issued practical guidance, and published research on sustainability jobs and skills for the accountancy profession. It is also developing professional qualification programmes, with support from ACRA, for sustainability and sustainability assurance to equip professionals with the requisite skillsets.[15]

[12] Ministry of Trade and Industry and EnterpriseSG: MTI COS 2023 - Supporting businesses and workers in our journey to a green economy, February 2023.

[13] EnterpriseSG: Enterprise Sustainability Programme, April 2023.

[14] Workforce Singapore: Capability Transfer Programme, April 2023.

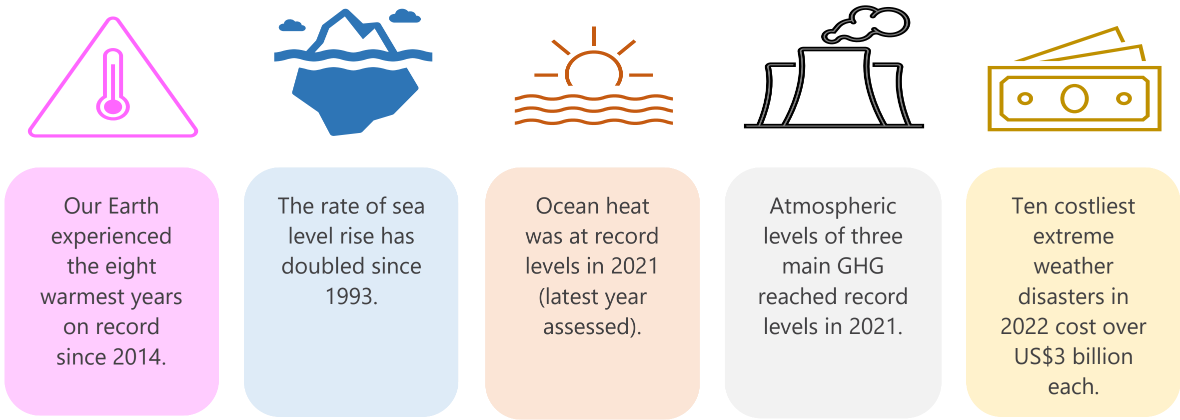
[15] Institute of Singapore Chartered Accountants: Sustainability Courses, April 2023.

A. Overview of SRAC Considerations

Impact from Climate Change

A1. The effects of climate change are widespread, rapid and intensifying, affecting lives and livelihoods around the world. **Extreme weather events have also affected millions of lives and cost billions in 2022.**[16]

Figure 3. The global impact of climate change (Physical risks)



A2. **As a low-lying island city-state, climate change is an existential threat for Singapore.** From 1980 to 2022, the annual mean temperature has increased by 1°C to 27.9°C. The mean sea level in the Straits of Singapore has also increased between 1.2 mm and 1.7 mm per year from 1975 to 2009. Rainfall has become more intense as well, increasing at an average rate of 78 mm per decade from 1980 to 2022.[17]

Actions to Combat Climate Change

A3. On 12 December 2015, 196 parties signed an international treaty on climate change (known as the Paris Agreement) at the 2015 United Nations Climate Change Conference. It aims to hold "the increase in the global average temperature to well below 2°C above pre-industrial levels" and **pursue efforts "to limit the temperature increase to 1.5°C above pre-industrial levels"**.[18]

A4. In 2020, environmental risks occupied the top five risks in terms of likelihood over the coming decade for the first time, according to the World Economic Forum's

[16] National Environment Agency: Singapore's Fifth National Communication and Fifth Biennial Update Report 2022, November 2022; World Meteorological Organisation: Eight warmest years on record witness upsurge in climate change impacts, November 2022; World Economic Forum: 10 costliest climate disasters of 2022, January 2023.

[17] Prime Minister's Office Singapore: Impact of Climate Change in Singapore, April 2023; Meteorological Service Singapore: 2022 Annual Climate Assessment Report, April 2023.

[18] United Nations' Climate Change: The Paris Agreement, April 2023.

annual risk report. In its 2023 report, the "failure to mitigate climate change" continued to be ranked as the top global risk over the next 10 years.[19]

A5. Faced with a narrowing window for decisive international action on climate change, the global community – countries, corporates, investors and consumers – must reduce GHG emissions urgently. Over 8,000 companies have committed to halve emissions by 2030 and achieve net zero by 2050.[20]

A6. In Singapore, we have stepped up our efforts through the Singapore Green Plan 2030. The Green Plan charts ambitious and concrete targets over the next decade, strengthening Singapore's commitments under the United Nation's 2030 Sustainable Development Agenda and the Paris Agreement. It also positions us to achieve Singapore's commitment to reach net zero emissions by 2050.[21]

A7. As we transition to a low carbon economy, we are already seeing strong action being taken using control levers such as carbon taxes (known as "transition risks" for companies). For instance, Singapore will be ratcheting up its carbon taxes from the current $5 per tonne of CO_2e to $50-80 per tonne of CO_2e by 2030.[22]

"At the macro level we've long passed the point where the cost of action is far lower than the cost of inaction."[23]

–Paul Polman, ex-CEO, Unilever

Benefits of Climate Reporting to Companies

A8. There have been more than 2,000 academic studies and around 70% of them found a positive relationship between ESG scores and financial returns, whether measured by equity returns or profitability or valuation multiples. A global study focusing on NLCos also surmised that strong ESG performance was a sign of a strong business.[24]

A9. Global CEOs surveyed in a study increasingly agreed that ESG programs improved financial performance and saw reporting and transparency as important to their ESG goals – and this included insights into their broader value chain. They

[19] World Economic Forum: Global Risks Report 2020, Jan 2020; Global Risks Report 2023, January 2023.

[20] United Nation Climate Change: Race To Zero Campaign, April 2023.

[21] Singapore Green Plan: Home, April 2023.

[22] The TCFD groups transition risk into four categories, namely, policy and legal risk, technology risk, market risk and reputation risk. Prime Minister's Office Singapore: Carbon Tax, April 2023.

[23] Harvard Business Review: Yes, Investing in ESG Pays Off, April 2022.

[24] McKinsey: Why ESG is here to stay, May 2020; Study by Bain & Company and EcoVadis: Do ESG Efforts Create Value?, April 2023. The study assessed how ESG activities impacted 100,000 companies tracked by EcoVadis (over 95% are private). EcoVadis is a leading supplier of business sustainability ratings.

increasingly understood that companies embracing ESG were best able to secure talent, strengthen employee value proposition, attract loyal customers and raise capital.[25] Companies that adopt climate reporting are well placed to reap the following opportunities:

(a) **Manage climate risks:** Robust measurement of emissions supports companies in planning for the green transition and managing emissions throughout their value chains. Climate reporting also improves companies' visibility of physical risks (thus reducing the risk of stranded assets) and ability to manage transition risks (potentially higher operating costs arising from climate-related regulations).

(b) **Potential cost reduction:** The focus on ESG practices and reporting can help combat rising operating expenses (such as raw material costs and the true cost of carbon), which global research found can affect operating profits by as much as 60%. It also decreases the likelihood of incidents and business interruptions, easing regulatory and legal interventions and the associated costs.[26]

(c) **Potential increase in revenue:** A group of the world's biggest companies reported cumulative gains from realising business opportunities related to climate change at US$2.1 trillion. These opportunities include increased revenue through demand for low emission products and services and shifting consumer preferences.[27]

"We're looking forward to continued partnerships with our suppliers to make Apple's supply chain carbon neutral by 2030."[28]

–Tim Cook, CEO, Apple

(d) **Employer of choice:** Compared to their peers, top employers (as measured by employee satisfaction and attractiveness to young talent) tend to have lower carbon emissions. As a workforce strategy, ESG performance has become a competitive edge – both in engaging today's employees and attracting tomorrow's talent.[29]

(e) **Access to capital**: Companies that adopt climate reporting and provide transparency on their transition strategies are better positioned to attract

[25] KPMG: 2022 CEO Outlook, April 2023.

[26] McKinsey: Five ways that ESG creates value, November 2019.

[27] CDP: World's biggest companies face US$1 trillion in climate change risks, June 2019.

[28] Apple Newsroom: Apple calls on global supply chain to decarbonize by 2030, October 2022.

[29] Marsh & McLennan Advantage: ESG as a workforce strategy, April 2023.

capital, as such disclosures can help financial institutions understand and evaluate their climate strategy and performance.[30]

"Ignoring the financial risk inherent in climate change will make it harder for companies to find investors."[31]

–Larry Fink, Chairman and CEO, BlackRock

(f) **Lower cost of capital:** A high degree of transparency in reporting material ESG data publicly leads to a better ESG score. Evidence is emerging that a better ESG score translates to about a 10% lower cost of capital, as the risks that affect the business are reduced.[32]

A10. A global analysis on climate change found that the potential value of sustainable business opportunities (US$2.1 trillion) was almost seven times the cost of realising them (US$311 billion in costs).[33]

Costs of Climate Reporting to Companies

A11. The cost of reporting and assurance is influenced by many factors such as the size of the company, the sectors in which it operates, its locations, the depth of reporting chosen, and in general the complexity of the business.

(a) There is no readily available data for cost analysis in Singapore.

(b) The EU requirements involve reporting on all three ESG factors and obtaining external Limited Assurance on the entire sustainability report. The scope is wider than our recommendations. EU has estimated compliance costs of €607,000 (or $884,000) in the first year and €320,000 (or $466,000) per annum thereafter. Administrative costs to report can range from 0.004% to 0.008% of a company's yearly revenue whilst auditing costs for Limited Assurance can range from 0.013% to 0.026% of revenue.[34]

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[30] MAS: Guidelines on Environmental Risk Management for Banks, Insurers, Asset Managers, December 2020.

[31] BlackRock: Larry Fink's 2020 Letter to CEOs – A Fundamental Reshaping of Finance, April 2023; Bloomberg: For these companies, climate action is a business imperative, April 2023.

[32] Refinitiv: Environmental, Social and Governance Scores from Refinitiv, May 2022; McKinsey: Why ESG is here to stay, May 2020.

[33] CDP: World's biggest companies face US$1 trillion in climate change risks, June 2019.

[34] European Commission: EFRAG's Cover Letter on the Cost-benefit analysis of the First Set of draft ESRS, November 2022; Wall Street Journal: At Least 10,000 Foreign Companies to Be Hit by EU Sustainability Rules, April 2023. Converted to SGD using MAS exchange rate on 17 May 2023: € (1.4571).

(c) In UK, where external assurance is not required, the preparation and internal verification costs are estimated at £197,000 (or $330,000) in the first year and £144,000 (or $241,000) per annum thereafter.[35]

(d) If the same costs as EU or UK apply, they will represent less than 0.1% of $1 billion in revenue for NLCos subject to mandatory reporting.

A12. While we note that additional costs may be incurred by companies to perform climate reporting, this would soon become an inevitable cost of doing business if companies would like to stay competitive in a low-carbon future, remain connected to the market and tap funding sources.

Benefits of Wider Adoption of Climate Reporting to Singapore

A13. At the national level, the wider adoption of climate reporting aligns with the Singapore Green Plan 2030 and will allow us to:

(a) **Scale green finance:** The International Monetary Fund identified implementation of a climate information architecture built upon the ISSB Standards as a prerequisite for the development of sustainable finance markets.[36] Mandatory reporting will lift the data constraint and catalyse our net zero transition by facilitating green finance flows into Singapore to decarbonise our economy.

(b) **Grow carbon services hub:** Mandatory reporting will accelerate the growth of Singapore's existing ecosystem of carbon services and build on Singapore's advantages, such as its hub position for green finance and commodity trading, and proximity in Asia, to strengthen its effectiveness in offering carbon management services to companies globally.[37]

(c) **Grow professional services hub:** The demand for reporting will help develop capabilities in our ecosystem for professional services such as sustainability reporting and assurance. This will position us to gain competitive advantage to service the region and create good, green jobs for Singaporeans.

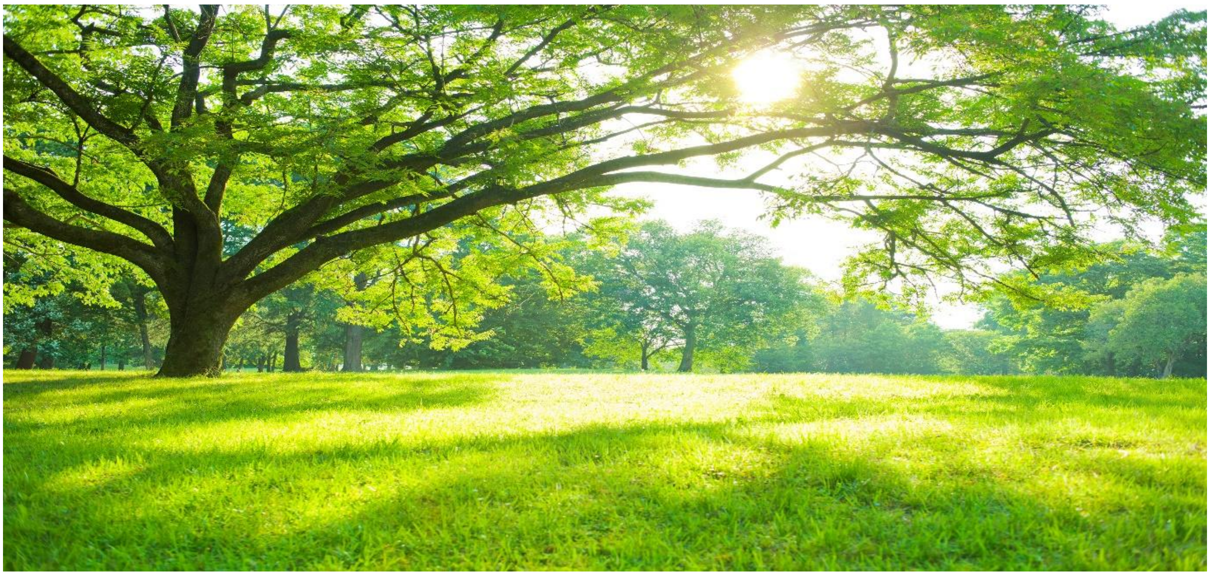
(d) **Reap economies of scale:** A critical mass in companies adopting climate reporting, paired with support from the Government to level up reporting and assurance capabilities nation-wide, will reduce compliance costs.

[35] UK Department for Business, Energy & Industrial Strategy: Final Stage Impact Assessment, October 2021. Converted to SGD using MAS exchange rate on 17 May 2023: £ (1.6738).

[36] International Monetary Fund: Shaping the Frontier of Sustainable Finance in Emerging Markets, April 2022.

[37] EDB Singapore: Singapore is well positioned to become a Carbon Services and Trading Hub for Southeast Asia and the Asia Pacific, November 2021.

B. International & Local Developments



Mandatory Reporting for Listed Issuers Present in Several Jurisdictions

B1. Globally, at least eight jurisdictions have mandated sustainability or climate reporting requirements on listed companies **via legislation**. EU, NZ, Switzerland and UK require mandatory reporting in accordance with specific frameworks, whilst China, Indonesia, Japan and Vietnam are framework-agnostic.

B2. In March 2022, the US Securities and Exchange Commission consulted on its proposal to mandate climate reporting progressively from FY2023. It is still finalising the rules.

B3. In April 2023, the Stock Exchange of Hong Kong issued a consultation paper proposing to mandate ISSB-aligned CRD for all issuers from FY2024 via listing rules.[38]

B4. In Singapore, Listed Issuers in five prioritised industries are required to provide full TCFD-aligned CRD progressively from FY2023. All other Listed Issuers are required to apply TCFD on a 'comply-or-explain' basis.

[38] HKEX: Exchange Publishes Consultation Paper on Enhancement of Climate Disclosure under its ESG Framework, April 2023.

B. International & Local Developments

Mandatory Reporting for Non-Listed Companies Present in Several Jurisdictions

B5. Four jurisdictions have moved a step further, by passing laws to mandate sustainability or climate reporting on NLCos:[39]

(a) From 6 April 2022, **large private companies** in UK are required to make climate-related financial disclosures, in addition to large publicly quoted companies and large limited liability partnerships.[40]

The UK government recognised that economically or environmentally significant companies were not limited to entities with securities admitted to trading on a regulated market.

(b) From 1 January 2023, large publicly listed companies in NZ with market capitalisation exceeding NZ$60 million and **large companies (including private companies)** in the financial sector with total assets exceeding NZ$1 billion are required to make CRD.

The requirements were premised on the report of the Intergovernmental Panel on Climate Change that highlighted significant green investments were required to achieve the Paris Agreement's goal of limiting global temperature increase to 1.5°C. By using financial markets to drive a change in investment patterns, private companies will receive direct and indirect pressure to identify and manage climate-related risks and opportunities.

(c) Progressively from 1 January 2024, **large NLCos** in EU will be required to prepare sustainability reports (including and beyond climate reporting) along with non-micro listed companies.[41] The requirements will also apply to non-EU companies with substantial activity in EU from 1 January 2028.[42]

The requirements will directly cover about 75% of the European economy, while other companies will also be impacted through the value chain.

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[39] EU: Corporate Sustainability Reporting; NZ: Mandatory climate-related disclosures; Switzerland: Federal Council brings ordinance on mandatory climate disclosures for large companies into force as of 1 January 2024; UK: UK to enshrine mandatory climate disclosures for largest companies in law, April 2023.

[40] In UK, large private companies are companies with > 500 employees and turnover of > £500 million.

[41] In the EU:

- **Large companies** comprise those that exceed at least two of the three size criteria: (a) balance sheet total: €20 million; (b) net revenue: €40 million; (c) average number of employees during the financial year: 250.
- **Micro companies** comprise those that do not exceed at least two of the three criteria: (a) balance sheet total: €350,000; (b) net turnover: €700,000; (c) average number of employees during the financial year: 10.

[42] This means that the company has a net revenue in the EU of €150 million and the company has at least: one branch in the EU with at least €40 million net revenue or one subsidiary in the EU that meets EU's large company requirements.

The EU Commission was of the view that consumers and investors deserved to know the sustainability impact of businesses. It also aimed to steer capital flows to sustainable investments through sustainability reporting, thus achieving sustainable and inclusive growth.

(d) From 1 January 2024, **large public companies, banks and insurance companies** (including NLCos) in Switzerland are required to make climate disclosures.[43]

The Swiss government acknowledged that large companies' transparency on the climate impact of their activities is a key aspect for capital markets to function well and for the financial sector to achieve climate sustainability.

B6. In June 2023, the Australian Government Treasury issued a consultation paper proposing to mandate ISSB-aligned CRD for listed and non-listed entities in three phases commencing 2024-25.[44]

[43] In Switzerland, **large companies** comprise companies with 500 or more employees and at least CHF20 million in total assets or more than CHF40 million in turnover.

[44] Australian Government, The Treasury: Climate-related financial disclosure - Consultation paper, June 2023.

C. Companies Required to Report

C1. Corporates have a part to play to achieve Singapore's net zero emissions commitment and transition to a green economy. To foster a greater impact in Singapore, we propose to mandate climate reporting on economically significant companies. These companies have a higher carbon footprint and the potential to drive changes through their value chains.

C2. The proposed requirements will present an opportunity for our companies to build business resilience and competitive advantage ahead of others. By embracing climate reporting, they will be better prepared to navigate overseas markets and tap on funding sources, to which access is increasingly shaped by climate considerations.

C3. We propose that the requirements be mandated through the CA, in addition to the Listing Rules. This will uphold the parity of treatment between Listed Issuers and NLCos. It will also bring more comparability and credibility of CRD in our market.

Listed Issuers Leading the Way

C4. Since 2017, Listed Issuers have been required to publish sustainability reports. SGX Group introduced this requirement in line with international advancements, expectations on sustainability reporting and the benefits it brings to both investors and issuers.[45] By 2021, almost 100% of Listed Issuers have prepared sustainability reports in accordance with at least one sustainability reporting framework.[46]

C5. From FY2023, Listed Issuers in five prioritised industries are progressively required to provide TCFD-aligned CRD. SGX RegCo introduced this roadmap to meet

[45] SGX Group: Consultation Paper – Sustainability Reporting: Comply or Explain, January 2016.

[46] SGX Group and NUS Centre for Governance and Sustainability: Sustainability Reporting Review 2021, May 2021.

the increasing demand from investors and lenders, encouraging Listed Issuers to build business resilience by anticipating climate-related issues.[47]

C6. Taking a step further, **we propose to require all Listed Issuers[48] to report CRD mirroring the requirements in the ISSB Standards from FY beginning on or after 1 January 2025** (see Recommendation D1). This will build on their momentum and progress in climate reporting.

C7. Issuers of listed debt securities are excluded as they are largely offered to wholesale investors and typically traded over the counter. The information that investors expect to be disclosed in respect of debt securities is limited as compared to equity securities. Issuers of listed debt securities may continue to adopt international sustainability bond standards, such as the International Capital Market Association's Green Bond Principles, Social Bond Principles or Sustainability Bond Guidelines.

Large NLCos to Follow Suit, with Exemptions

C8. Other than those subject to the Energy Conservation Act 2012 and Carbon Pricing Act 2018, our NLCos are not required under legislation to prepare any form of climate reporting in Singapore. Globally, private companies trail behind public companies by a wide margin in reporting on environmental and climate impacts.[49] The benefits of mandatory reporting serve as an impetus to bring private companies to the state of reporting.

C9. We propose to **mandate CRD on the following NLCos,** subject to certain exemptions (in Recommendation C2):

(a) **NLCos with annual revenue of at least $1 billion from FY2027** (estimated 300 companies, after considering exemptions).

These are economically significant companies with higher exposure to climate-related risks. With more resources to deploy, they should be ready by FY2027. We believe that some may have already started their climate reporting journey.

Further, these companies may have a wider geographical footprint. Hence, they may be subject to other jurisdictions' reporting requirements. For example, EU's sustainability reporting requirements will apply to non-EU companies with substantial activity in EU from 1 January 2028.

[47] SGX RegCo: Consultation Paper – Climate and Diversity: The Way Forward, August 2021.

[48] A total of 664 issuers, comprising 580 incorporated in Singapore and 84 incorporated overseas, April 2023.

[49] Bain & Company, CDP: Closing the Public-Private Environmental Transparency Gap, May 2022.

(b) **NLCos with annual revenue of at least $100 million to less than $1 billion a few years after NLCos with at least $1 billion revenue,** by around FY2030 (estimated 2,200 companies, without considering exemptions).

These companies will come under increasing pressure to report due to the value chain effect. Those with subsidiaries or branches operating in EU may also be required to report by FY2028.

We recommend conducting a review by 2027 with a view to mandate CRD on these companies a few years later, by around FY2030, considering factors such as international developments, industry capacity and the implementation experience of NLCos mentioned in paragraph C9(a) above.

C10. The tiered and phased implementation timeline aims to strike a balance between ambition and market readiness. Spacing out the implementation timeline will stagger market demand for consultancy and assurance services. It also seeks to provide adequate time for nation-wide capacity building.

C11. We have used annual revenue as the benchmark criterion as it is a good proxy for emissions.[50] This information is also widely available and consistently prepared, as Singapore-incorporated companies must prepare FS under the prescribed accounting standards annually. Our proposed revenue thresholds are within the range of those used by UK (£500 million), EU (€40 million) and Switzerland (CHF40 million).

C12. We recommend not to use the following benchmark criterion:

(a) industry classification, as NLCos may not classify themselves accurately. It is also not easy to draw a bright line using industry classification, particularly when companies are operating in multiple industries;[51]

(b) GHG emissions, as not all NLCos are tracking and measuring the data;[52]

(c) employee numbers, as they may not represent the size of a business where operations are highly automated or outsourced. It is also difficult to determine or verify employee numbers as this is not required to be reported in the FS and are accordingly not audited. This is aligned with an earlier consultation on the proposal to remove this criterion for audit exemption in the CA; and

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[50] Trucost: Frequently Asked Questions – Why are carbon intensities calculated using revenue?, April 2023.

[51] SGX RegCo uses the Thomson Reuters Business Classification to determine the industry classification for Listed Issuers, which is mapped to the TCFD-identified industries.

[52] Under the Carbon Pricing Act 2018, only companies with reportable facilities that meet the threshold criteria report their emissions. The emissions data is reported at the facility level and not at the company level.

(d) total assets, to prioritise companies with a higher level of activity (i.e., proxied by revenues) before considering asset-heavy companies.

C13. We propose to prioritise companies limited by shares for mandatory reporting. Foreign branches and companies limited by guarantee will be excluded at this juncture.

Recommendation C1 –

(a) Mandate climate reporting on:

- **(i) Listed Issuers from FY2025; and**
- **(ii) NLCos limited by shares with annual revenue of at least $1 billion from FY2027,**

(b) Conduct a review in 2027 with a view to require climate reporting by NLCos limited by shares with annual revenue of at least $100 million to less than $1 billion, a few years later, by around FY2030,

subject to the exemptions in Recommendation C2.

Question C1.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question C1.2 – Aside from international developments, industry capacity and the implementation experience of NLCos in Recommendation C1(a)(ii), what other factors should be considered in deciding the implementation timeline for NLCos in Recommendation C1(b)? Please state the reasons for your response.

Question C1.3 – Based on your response to Question C1.2, what is the appropriate timeframe to require mandatory reporting for NLCos in Recommendation C1(b)? Please state the reasons for your response.

Question C1.4 – Do you agree with the recommendation not to use the benchmark criterions in paragraph C12 above? Please state the reasons for your response.

Subsidiaries To be Exempted from Full Reporting

C14. To reduce compliance burden, we propose to have an NLCo exempted from reporting CRD if both conditions are met:

(a) its immediate, intermediate or ultimate parent (local or foreign), determined according to the prescribed accounting standards in Singapore, is minimally preparing climate or sustainability reports in accordance with the prescribed CRD in Singapore or deemed equivalent; and

(b) its activities are included in that parent's report, which is available for public use.

Recommendations by SRAC

C15. In EU, a similar exemption is granted to EU-incorporated subsidiaries. In UK, the exemption is restricted to subsidiaries of UK-incorporated parents. The exemption is not available for joint ventures and associates in EU and UK, likely because these entities could have different climate strategies and policies from their investors.

C16. No application is necessary for this exemption. The same mechanism has been used for audit exemption on small companies in the CA.

Recommendation C2 – NLCos will be exempted from mandatory reporting if:

(a) its immediate, intermediate or ultimate parent (local or foreign), determined according to the prescribed accounting standards in Singapore, is minimally preparing climate or sustainability reports in accordance with prescribed CRD in Singapore or deemed equivalent; and

(b) its activities are included in that parent's report, which is available for public use.

Question C2.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question C2.2 – If a subsidiary of a foreign parent is exempted from mandatory reporting as per Recommendation C2, should the subsidiary still be required to report CRD-prescribed[53] disclosures relating to its GHG emissions to the appointed regulator? Please state the reasons for your response.

[53] CRD-prescribed disclosures will mirror the requirements in the ISSB Standards and include:

(a) absolute GHG emissions for the reporting period classified as Scope 1, Scope 2 and Scope 3 emissions;

(b) for Scope 1 and Scope 2 emissions, disclose emissions separately for (1) consolidated accounting group (the parent and its subsidiaries) and (2) associates, joint ventures, unconsolidated subsidiaries, or affiliates not included in (1). Can use either 'equity share' or 'operational control method', and explain the choice;

(c) for Scope 3 emissions, include upstream and downstream emissions and disclose categories included within measure of Scope 3 emissions;

(d) basis for measurement of information provided by entities in value chain, and reason for omission (if any); and

(e) explain inputs, assumptions and estimation techniques used to measure GHG emissions, including changes in estimation techniques, changes in significant assumptions made during the reporting period.

Recommendations by SRAC

Ensuring Comparability and Stability when Measuring Size

C17. We recommend applying size threshold of NLCos **using company-level financials**, unless *it is a parent according to the prescribed accounting standards in Singapore*, in which case, its size will be measured **using group-level financials**. This ensures the benchmark criterion is applied to the same reporting entity as the related FS, for which CRD is required to be disclosed.

C18. The requirement to use group-level financials applies even when the NLCo is exempted from preparing consolidated FS. As the NLCo is still a parent according to the prescribed accounting standards in Singapore, its size should be measured using group-level financials.

C19. Companies' revenue may fluctuate near the size thresholds. As comparative information will be reported as part of CRD, it is not ideal for NLCos to report (and be audited) in one year and not the subsequent year, or vice versa.

C20. To give stability to company's reporting obligations, we propose **to assess the size threshold based on the financials for two FYs immediately preceding the current FY**, unless:

- *(a) the company has not reached its third FY after incorporation, or*
- *(b) the company is in the first or second FY when the proposed reporting obligations commence,*

in which case, size threshold will be assessed **based on the current FY**. The same principle is used in audit exemption criteria for small companies in the CA.[54]

[54] CA: s205C Small company exempt from audit requirements; Thirteenth Schedule – Criteria for Small Company and Small Group.

Recommendations by SRAC

Recommendation C3 – The revenue threshold for NLCo should be measured using company-level financials,

- unless the NLCo is a parent (according to the prescribed accounting standards in Singapore),
- in which case, revenue should be measured based on group-level financials.

Question C3 – Do you agree with the above recommendation? Please state the reasons for your response.

Recommendation C4 – The revenue threshold for NLCo should be assessed based on the financials for two FYs immediately preceding the current FY,

- unless the company (i) has not reached its third FY after incorporation, or (ii) is in the first or second FY when the proposed reporting obligations commence,
- in which case revenue should be assessed based on the current FY.

Question C4 – Do you agree with the above recommendation? Please state the reasons for your response.

D. Reporting Standard

D1. Investors, lenders, insurers and other stakeholders in the financial markets need globally comparable and relevant information to assess how companies are managing their climate-related risks and opportunities. Using a common global framework will facilitate this.

D2. Our recommendations aim to lay the foundation for international convergence while managing the reporting efforts for companies required to report. We recommend introducing as our baseline requirement, the ISSB Standards, which initially focuses on climate reporting. We also propose to grant at least the same duration of (temporary) transition reliefs so that the disclosure requirements are introduced incrementally.

Harmonisation of International Reporting Standards

D3. A report by the International Federation of Accountants found, whilst 95% of large companies report on ESG, 86% used multiple standards and frameworks to do so. This highlights the need for a harmonised, global reporting system.[55]

D4. Responding to the growing call for comparable and consistent disclosures, the ISSB was formed in November 2021. Its mission is to develop a comprehensive global baseline of sustainability disclosures to meet the needs of investors and financial markets. In setting its standards, the ISSB will:

(a) build on the work of existing investor-focused reporting initiatives such as the TCFD recommendations; and

[55] International Federation of Accountants: The State of Play: Sustainability Disclosure & Assurance, February 2023.

(b) progressively include frameworks or standards from two other international standard setters that IFRS Foundation consolidated in 2022.[56] They include the CDSB Framework, Integrated Reporting Framework and SASB Standards.

D5. ISSB's global baseline concept has been welcomed by the G7 and G20[57] leaders, the IOSCO[58], and the Financial Stability Board.[59]

"IOSCO is very pleased to see the determined progress being made by the ISSB in completing this milestone."

–Jean-Paul Servais, IOSCO Board Chair

State of Play in Singapore

D6. Listed Issuers select a sustainability reporting framework (or frameworks) to guide their reporting and disclosures. In this regard, the top 50 Listed Issuers by market capitalisation in Singapore use multiple frameworks concurrently.[60] The GRI Standards was used by almost all (98%), followed by United Nations' Sustainable Development Goals (78%), ISO (74%) and TCFD (64%).

D7. For CRD, Listed Issuers must apply the TCFD recommendations on a 'comply or explain' basis in their sustainability reports for FY2022. Climate reporting using the TCFD recommendations is progressively made mandatory for Listed Issuers in the five

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[56] The two standards setters consolidated into IFRS Foundation were Climate Disclosure Standards Board (CDSB), and Value Reporting Foundation. Value Reporting Foundation was itself formed from the merger of the International Integrated Reporting Council and the Sustainability Accounting Standards Board (SASB).

[57] Group of Twenty (G20) is the premier forum for international economic cooperation. It plays an important role in shaping and strengthening global architecture and governance on all major international economic issues. It comprises 19 countries and EU. The G20 members represent around 85% of the global GDP, over 75% of the global trade, and about two-thirds of the world population.

[58] IOSCO: IOSCO welcomes the ISSB's decision to enter into the finalisation phase of its inaugural corporate sustainability reporting standards, February 2023. IOSCO is the international body that brings together the world's securities regulators. It develops, implements, and promotes adherence to internationally recognised standards for securities regulations.

[59] Financial Stability Board promotes international financial stability; it does so by coordinating national financial authorities and international standard-setting bodies as they work towards developing strong regulatory, supervisory, and other financial sector policies.

[60] From a review conducted by PwC and NUS Centre for Governance and Sustainability (June 2023), Sustainability Counts II covered 700 listed companies in Asia Pacific which includes top 50 listed companies in Singapore. Assessment was done based on their latest sustainability reports and annual reports available until January 2023.

prioritised industries by FY2024.[61] Collectively, they accounted for about 60% of total Listed Issuers.[62]

Prescribing ISSB Standards as Baseline Requirements

D8. Given the urgency to combat climate change, the ISSB has begun with a thematic standard for CRD alongside an overarching standard on general requirements for sustainability-related financial disclosures. After incorporating public feedback into the exposure drafts, the ISSB issued the ISSB Standards in June 2023. To facilitate adoption, it also provided (permanent) structural reliefs and (temporary) transition reliefs in the ISSB Standards.

D9. We propose to **prescribe (baseline) CRD mirroring the requirements in the ISSB Standards**, to the extent practicable (covered in paragraphs D10 to D14 below), for mandatory reporting, for the following reasons:

(a) given the nexus between financial reporting and sustainability reporting, having the IFRS Foundation (which the International Accounting Standards Board and the ISSB are a part of) develop the IFRS accounting standards and the ISSB Standards could help improve connectedness between both reports;[63]

(b) the set-up of the ISSB was widely supported during the public consultation, due to factors such as its robust due process in standard-setting, relationships with global governance bodies and industries, and expertise in international standard-setting. Consequently, the ISSB Standards are well placed to gain international endorsement, followed by possible global adoption; and

(c) the ISSB Standards focus on baseline and build upon the TCFD recommendations. Listed Issuers which already report based on the TCFD recommendations will thus be better prepared and have a smoother transition to climate reporting in accordance with the ISSB Standards. While it is noted that additional, more granular information (e.g., in relation to governance and strategy) may be required under the ISSB Standards, the ISSB has also agreed to provide application support to preparers making use of materials developed by the TCFD.

[61] **The five prioritised industries are those identified by TCFD to be most affected by climate change,** i.e.
(a) issuers in the financial industry, the agriculture, food and forest products industry and the energy industry, are prioritised for mandatory climate reporting from the FY commencing 1 January 2023, and
(b) issuers in the materials and buildings industry and the transportation industry, are prioritised for mandatory climate reporting from the FY commencing 1 January 2024.

[62] Based on SGX Stock Screener data as of March 2023.

[63] Accountancy Europe: Interconnected Standard Setting for Corporate Reporting, December 2019.

Recommendations by SRAC

Recommendation D1 – Climate reporting should be prepared using the prescribed (baseline) CRD, which mirror the requirements in the ISSB Standards, to the extent practicable.

Question D1 – Do you agree with the above recommendation? Please state the reasons for your response.

Making the Prescribed CRD Practicable

D10. To facilitate implementation, the ISSB has introduced a package of (permanent) structural reliefs and (temporary) transition reliefs in the ISSB Standards. This affords companies with help and more time to implement processes to adhere to the complex requirements in the standards, especially for companies with less resources or those new to climate reporting.

D11. In respect of the (temporary) transition reliefs in the ISSB Standards, we recommend to:

(a) **apply at least the same duration of reliefs to all companies** subject to mandatory reporting.[64] For example, if the ISSB grants a one-year relief from providing comparative information upon adoption, relief of at least the same duration will be provided. To illustrate, Listed Issuers are required to provide comparative information from FY2026, one year after the ISSB-aligned reporting requirement takes effect under the Listing Rules. Meanwhile, NLCos

[64] This means, in the first FY when the proposed reporting obligation commences, companies need not:
(a) Provide disclosures about sustainability-related risks and opportunities beyond climate-related information;
(b) Provide comparative information;
(c) Disclose Scope 3 GHG emissions; and
(d) Use the GHG Protocol to measure emissions if they are currently using a different approach.

with annual revenue of at least $1 billion will be required to provide comparative information from FY2028;

(b) **extend the duration of relief on Scope 3 GHG emissions for NLCos** subject to mandatory reporting. They will be required to make this disclosure two years after the mandatory reporting requirement takes effect. As NLCos are new to climate reporting, their requirements should be progressively imposed to give time for companies to implement processes to measure their Scope 3 GHG emissions; and

(c) **review the application of ISSB Standards for disclosure of sustainability-related risks and opportunities beyond CRD** for all companies subject to mandatory reporting a few years later, when the scope of mandatory reporting is extended beyond climate reporting.[65]

D12. We do not propose additional reliefs for the following disclosures, as the ISSB Standards have catered to varying levels of maturity in climate reporting through (permanent) structural reliefs. In particular, a company is allowed to consider its "skills, capabilities and resources" when determining an appropriate approach to use for its climate-related scenario analysis and determining whether it is able to provide quantitative information about anticipated financial effects of a climate-related risk or opportunity.

D13. Additionally, a company is allowed to use "reasonable and supportable information that is available to the entity at the reporting date without undue cost or effort" when fulfilling the following disclosure requirements:

(a) climate-related scenario analysis;
(b) determination of anticipated financial effects of a climate-related risk or opportunity;
(c) measurement of Scope 3 GHG emissions;
(d) identification of climate-related risks and opportunities;
(e) determination of the scope of the value chain; and
(f) calculation of metrics in particular cross-industry metric categories.

D14. Since a company's specific circumstances will determine what constitutes undue cost and effort, this flexibility allows it to take a balanced consideration of the costs and efforts involved in procuring and using information versus the benefits of the disclosed information to users. Three examples are illustrated below:

[65] Listed Issuers will continue to publish sustainability reports in accordance with the Listing Rules.

a. **climate-related scenario analysis**. Companies can use the pathway in Table 2 to strengthen their disclosures over time.

Table 2: Stages of progression described in guidance published by TCFD[66]

Just beginning	Gaining experience	Advanced experience
Qualitative scenario narratives to help management explore the potential range of climate-related implications, using a more focused boundary such as a critical business unit or specific commodity inputs	Scenarios and associated analysis using quantitative information to illustrate potential pathways and outcomes, ideally for the entity and its operations as a whole	Greater rigour and sophistication in the use of data sets and mathematical models to support statistical analysis and quantitative, entity-specific outputs

b. **determination of anticipated financial effects** of significant climate-related risks and opportunities on an entity's financial position, performance, and cash flows. Companies can start by providing qualitative information if they are unable to provide quantitative information; and

c. **measurement of Scope 3 GHG emissions**. If companies are unable to obtain primary data from their suppliers or other value chain partners, they can use secondary data to measure their Scope 3 GHG emissions for disclosure.

D15. To improve data availability across the value chain over time, EnterpriseSG will subsidise the use of pre-scoped carbon accounting solutions under the Productivity Solutions Grant. These solutions will provide SMEs with affordable solutions to calculate and manage their GHG emissions.

Recommendation D2 – In respect of (temporary) transition reliefs in the ISSB Standards, we propose to:

(a) apply at least the same duration to all companies subject to mandatory reporting;

(b) extend two-year relief on Scope 3 GHG emissions for NLCos subject to mandatory reporting; and

(c) review the application of ISSB Standards for disclosure of sustainability-related risks and opportunities beyond CRD for all companies subject to mandatory reporting a few years later.

Question D2 – Do you agree with the above recommendation? Please state the reasons for your response.

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[66] ISSB: Staff Paper - Using scenario analysis to assess climate resilience, January 2023. The three stages of progression do not necessarily represent distinct or discrete 'steps' in a process. Rather, they provide general descriptions of common practice along a continuum of maturity. Consequently, in its efforts to maximise its use of reasonable and supportable information, an entity's selected approach may not fall neatly into one stage or another, but rather somewhere in between.

Recommendations by SRAC

Allow Concurrent Use of Other Standards

D16. Most Listed Issuers are reporting on ESG factors beyond climate-related factors in their sustainability reports. Some may also operate in jurisdictions that mandate the use of other standards. Some may tap on funds from investors or lenders that request the use of other standards as well.

D17. To cater to diverse needs and circumstances, we recommend allowing disclosures in accordance with other standards and frameworks to be included in the same report if both conditions are met:

(a) the standards and frameworks applied are prominently disclosed; and
(b) the additional disclosure does not contradict or obscure the information required by the prescribed CRD.

With this recommendation, companies could prepare one report that complies with multiple standards and meet different purposes concurrently.

Recommendation D3 – Allow disclosures in compliance with other standards and frameworks to be included in the same report if both conditions are met:
(a) the standards and frameworks applied are prominently disclosed; and
(b) the additional disclosure does not contradict or obscure the information required by the prescribed CRD.

Question D3 – Do you agree with the above recommendation? Please state the reasons for your response.

E. External Assurance

E1. Investors, lenders, and insurers need reliable information to make informed investment, lending, and underwriting decisions. Independent external assurance increases stakeholders' confidence on the information reported, thereby upholding the trust in our capital markets.

E2. UK does not impose any external assurance requirement on climate reporting. In contrast, three jurisdictions are mandating or proposing external assurance requirements to varying degrees:

(a) EU and NZ require their in-scope companies to obtain external Limited Assurance on sustainability or climate reporting at the start. EU imposes the requirement on the entire sustainability report, while NZ imposes the requirement on Scope 1, Scope 2 and Scope 3 GHG emissions. The US Securities and Exchange Commission is proposing to impose the requirement on Scope 1 and Scope 2 GHG emissions;

(b) The three jurisdictions allow or propose to allow qualified audit and non-audit firms to register as climate auditors; and

(c) EU has signalled the intention to impose Reasonable Assurance by 2028, whilst NZ has not committed to a timeline to do so.

E3. Locally, the level of external assurance remained fairly low. Only 2.8% of our Listed Issuers had voluntarily obtained external assurance in 2020.[67] Listed Issuers are required to subject their sustainability reporting process to review by their internal audit functions from 1 January 2022.

[67] SGX Group and NUS Centre for Governance and Sustainability: Sustainability Reporting Review 2021, May 2021.

Recommendations by SRAC

E4. Our recommendations aim to start the scope of assurance focusing on disclosures that are important to readers and have well-established methodologies. We also aim to expand the talent pool, by allowing audit firms and TIC firms to register as climate auditors. To keep abreast of the rapidly changing developments, signing individuals are required to attend 40 hours of accredited courses per annum.

Limited Assurance over Scope 1 and Scope 2 GHG Emissions

E5. We recommend imposing external assurance:

(a) **two years after mandatory reporting kicks in.** This will allow time for companies to be 'assurance ready'. Climate auditors in Singapore will also need to develop the necessary assurance competencies and apply to be registered as climate auditors;

(b) **with the scope of Limited Assurance minimally**, rather than Reasonable Assurance. A Limited Assurance engagement provides a lower level of assurance than Reasonable Assurance applied to statutory audits of FS. As it involves fewer tests than in a Reasonable Assurance engagement, it carries lower costs and compliance burden; and

(c) **on Scope 1 and Scope 2 GHG emissions** at the start. As GHG emissions enable investors to assess an organisation's exposure to climate-related risks, these are important information. The methodology to compute Scope 1 and Scope 2 GHG emissions provided in the GHG Protocol is also well-established and involves fewer estimates.

E6. Companies are encouraged to voluntarily obtain Reasonable Assurance over the entire climate report. This is aligned with our recommendation to move towards Reasonable Assurance covering the entire report (including Scope 3 GHG emissions) as industry capabilities develop over time.

Recommendation E1 – External Limited Assurance should be obtained on Scope 1 and Scope 2 GHG emissions two years after mandatory reporting, i.e.

- **Listed companies from FY2027; and**
- **NLCos with annual revenue of at least $1 billion from FY2029.**

Question E1.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question E1.2 – In your view, what would be an appropriate timeframe to progress toward Reasonable Assurance covering:

(a) Scope 1 and Scope 2 GHG emissions;

(b) Scope 1, Scope 2 and Scope 3 GHG emissions; and
(c) the entire CRD?
Please explain your rationale supported by data and analysis where available.

Assurance Provider

E7. Three jurisdictions that mandated or proposed to mandate external assurance requirements have allowed for audit firms and non-audit firms to register as climate auditors:

(a) In EU, climate auditors can either be (i) audit firms or (ii) bodies that meet the same requirements as audit firms and are accredited by a national accreditation body.

(b) In NZ, climate auditors can be audit firms or non-audit firms that are subject to Professional and Ethical Standards 1 and 3 or other professional requirements, or requirements in law or regulation, that are at least as demanding.[68]

(c) In US, it was proposed that climate auditors must have significant experience in measuring, analysing, reporting or attesting GHG emissions. In addition, public companies are required to disclose (i) the identity of the assurance providers and (ii) whether these assurance providers have a licence from any licensing or accreditation body to provide assurance.

E8. We have similar practices in Singapore:

a. The National Environment Agency has accredited ten audit firms and TIC firms as third-party verifiers in respect of the Carbon Pricing Act 2018.[69]

b. SAC-accredited TIC firms have relevant knowledge and expertise in GHG emissions standards (e.g., SS ISO 14064-1 and SS ISO 14064-3) and standards used for sustainability reporting assurance (e.g., International Standard on Assurance Engagement 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* and AccountAbility's AA1000 *AccountAbility Principles*).

[68] Professional and Ethical Standards 1 and 3 refers to *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* and *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* respectively.

[69] Under the Carbon Pricing Act 2018, any industrial facility that emits direct (Scope 1) GHG emissions equal to or above 25,000 tCO2e are required to obtain Reasonable Assurance by external auditors accredited by NEA (Accredited External Auditor under the Carbon Pricing Act, April 2023).

E9. We **propose allowing ACRA-registered audit firms and SAC-accredited TIC firms to become climate auditors**. By having a broader pool of assurance providers, this will keep the talent pool large and keep costs competitive. It will also help meet the surge in demand for services when the assurance requirement kicks in.

Recommendation E2 – External assurance should be provided by a registered climate auditor, which can be either an ACRA-registered audit firm or a SAC-accredited TIC firm.

Question E2.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question E2.2 – Please provide suggestions, if any, on what can be done to enhance the availability of registered climate auditors to support the increased demand for external assurance.

Assurance Standard

E10. Prescribing assurance standards for assurance providers will promote the uniformity and consistency in the assurance process and outcome. It will also focus capacity-building efforts, with specific guidance issued to mould best practices.

E11. In September 2022, IOSCO expressed support for the ongoing work of the IAASB to develop **profession-agnostic standards**, and of the International Ethics Standards Board for Accountants to create **profession-agnostic guidance** on ethics and independence, for the assurance of sustainability-related information.[70]

E12. To align with global best practices, we recommend that assurance be conducted based on:

(a) A Singapore standard equivalent to ISSA 5000 *General Requirements for Sustainability Assurance Engagements* that is being developed by the IAASB. The IAASB has brought forward the proposed public consultation to commence by July 2023, to deliver an assurance framework for FY2024 sustainability disclosures by market issuers; or

(b) SS ISO 14064-3 Greenhouse gases – Part 3: *Specification with guidance for the verification and validation of greenhouse gas statements* is adopted as Singapore's national standard under the purview of the Singapore Standards Council overseen by EnterpriseSG. SS 1SO 14064-3 is the identical national

[70] IOSCO: IOSCO encourages standard-setters' work on assurance of sustainability-related corporate reporting, September 2022.

adoption of ISO 14064-3, which is published by the ISO. It is an internationally recognised standard specifying the principles and requirements as well as providing guidance for verifying and validating GHG statements. The standard is applicable to organisation, project and product GHG statements.

E13. Both standards are developed using a transparent and robust standard-setting process. They also represent global best practices thus contributing towards a high level of credibility on the assurance provided.

Recommendation E3 – Assurance is to be conducted using either:
(a) A Singapore standard equivalent to ISSA 5000; or
(b) SS ISO 14064-3.

Question E3.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question E3.2 – What are some key differences between both standards that should be bridged to enhance consistency in audit procedures?

Registration Criteria for TIC Firms

E14. Climate auditors play an important role in safeguarding the public interest through providing assurance on CRD. To protect the public interest and keep audit quality high, it is important to set registration and continuing requirements for climate auditors, both at firm and individual levels.

E15. Singapore has a robust registration regime for audit firms. Table 3 below contains the registration requirements. Therefore, we propose **to automatically include ACRA-registered audit firms as climate auditors** without the need for application.

Table 3: Requirements for setting up audit firms and continuing requirements

Criteria	Requirements
Presence	Under control and management of one or more public accountants who are ordinarily resident in Singapore. Share capital of the audit firm must be at least $50,000.
Deployment of personnel	If the audit firm has 2 partners, at least 1 must be a public accountant. If the audit firm has more than 2 partners, at least two thirds of the partners must be public accountants.
Indemnity insurance	Covered by one of the following amounts, whichever is the highest: - $1 million; - total of $500,000 for each public accountant; or - a sum equal to 2.5 times the gross income of the audit firm in the last completed FY, subject to a maximum sum of $50 million.

Criteria	Requirements
Quality management	Audit firms have a responsibility to design, implement and operate a system of quality management in accordance with Singapore Standard on Quality Management (SSQM) 1 *Quality Management for Firms that Perform Audit or Reviews of Financial Statements, or Other Assurance or Relates Services Engagements*[71] and SSQM 2 *Engagement Quality Reviews*.

E16. ACRA inspects audit firms' compliance with SSQM 1 and SSQM 2. TIC firms accredited by SAC[72] are assessed annually as part of a four-year accreditation cycle, to ensure their quality management system and technical competencies are maintained.

E17. To safeguard public interests and level the playing field between ACRA-registered audit firms and SAC-accredited TIC firms, **we propose to require SAC-accredited TIC firms to meet similar requirements as ACRA-registered audit firms in Table 3 above to qualify as climate auditors,** except for quality management, where they should have the option to obtain equivalent accreditation under ISO/IEC 17029 *Conformity assessment – General principles and requirements for validation and verification bodies* instead.

Recommendation E4 – To be registered as climate auditors, SAC-accredited TIC firms are required to meet similar requirements as ACRA-registered audit firms, except for quality management where they can obtain equivalent accreditation under ISO/IEC 17029 *Conformity assessment – General principles and requirements for validation and verification bodies*.

Question E4.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question E4.2 – In your views, is ISO/IEC 17029 equivalent to SSQM 1? If not, what are the gap(s) to be bridged?

Registration and Renewal Criteria for Signing Individuals

E18. Table 4 below sets out the registration criteria for audit partners, which focuses significantly on qualification, practical experience, and CPE. The qualification pathway

[71] For the purposes of SSQM 1, a system of quality management addresses the following eight components: (a) the firm's risk assessment process; (b) governance and leadership; (c) relevant ethical requirements; (d) acceptance and continuance of client relationships and specific engagements; (e) engagement performance; (f) resources; (g) information and communication; and (h) the monitoring and remediation process.

[72] As the national accreditation body, SAC maintains the integrity and impartiality of conformity assessment practices. SAC builds global trust in Singapore's products and services by strengthening our country's technical infrastructure for conformity assessments, as well as forging Mutual Recognition Arrangements with our economic partners.

for climate auditors is still developing. Coupled with the recommended timeline, it would generally be difficult to mirror the requirements below for climate auditors.

Table 4: Key requirements for registration as a public accountant

Criteria	Requirements
Qualification	Pass Singapore Chartered Accountant Qualification or recognised equivalent.
Practical Experience	2,500 hours of requisite qualifying audit experience in the past five years, inclusive of 1,250 hours in performing key audit functions (i.e., planning, leading, and reporting) in an audit management role, under audit principal's supervision.
CPE and Course on Ethics and Professional Practice Subjects	Minimum 40 hours of CPE in the past 12 months (which includes minimum hours in specified core expertise areas) and completion of Public Practice Programme.

E19. On the other hand, the Carbon Pricing Act 2018 requires the lead verifier to have held at least a managerial role when performing verification of Scope 1 GHG emissions on at least three completed verifications with Reasonable Assurance over the past four years. The lead verifier is required to demonstrate experience and knowledge in planning and conducting verification activities and have specific domain knowledge.

E20. Whilst the lead verifier in SAC-accredited TIC firms is expected to adhere to specific personnel competency clauses within the accreditation standards, there are no registration requirements per se.

E21. Balancing the criteria used for public accountants and for lead verifiers above, we propose to set the following registration and renewal criteria:

(a) **Practical experience**, covering recency, sufficiency, and relevance of practical experience on sustainability reporting assurance.

The individual should have recent, sufficient, and relevant practical experience in key audit functions (i.e., planning, leading, and reporting) in sustainability reporting under the supervision of a principal.

The experience should also be acquired minimally in a managerial role to prepare the individual for the important role of safeguarding public interests.

(b) **CPE requirements** such as completing a minimum of 40 hours of <u>accredited</u> courses in the past 12 months. The criterion is more stringent than that currently imposed on statutory auditors. It is necessary to ensure signing individuals are kept well abreast of rapidly changing developments in reporting and assurance standards and practices.

Recommendations by SRAC

Recommendation E5 – To register as a qualified signing individual, one must be able to demonstrate practical experience and meet the CPE requirements such as completing a minimum of 40 hours of accredited courses in the past 12 months.

Question E5.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question E5.2 – In your view, should objective measures including hours be stipulated under the practical experience? If so, how many hours would be appropriate?

One-off Transition of Professionals with Adjacent Competencies

E22. To grow an adequate pool of climate auditors, we propose to allow one-off transition of professionals with applicable or adjacent competencies:

(a) Individuals equivalent to partner level currently providing sustainability assurance services under Carbon Pricing Act 2018. This will enlarge the talent pool to practitioners with demonstrated competencies and skillsets; and

(b) ACRA-registered public accountants that have passed the recognised bridging course(s) to be developed on sustainability reporting and assurance. These individuals have adjacent competencies. The course is meant to attract those individuals who are willing to invest the time and effort to develop a new competency.

Recommendations by SRAC

Recommendation E6 – Allow for one-off transition of professionals with applicable or adjacent competencies to be signing individuals, namely:

(a) Individuals equivalent to partner level currently providing sustainability assurance services under Carbon Pricing Act 2018; and

(b) ACRA-registered public accountants that have passed the recognised bridging courses.

Question E6 – Do you agree with the above recommendation? Please state the reasons for your response.

F. Reporting and Filing

F1. Investors, lenders, insurers, and other stakeholders need to read both climate reporting and financial reporting information together to make informed decisions. It is important that both documents are made available at the same time to these stakeholders.

F2. Filing CRD in a structured format will enhance its usefulness. This will facilitate consumption of data and provide consistently categorised information to aid comparison across industry and time.

Reporting and Filing Timelines

F3. Listed Issuers are required to publish their sustainability reports within **four months after FYE,** unless external assurance is obtained on the sustainability report. In that case, Listed Issuers are given an additional month to publish their sustainability reports (i.e., five months after FYE).

F4. UK and NZ require climate reporting to be circulated together with FS to shareholders and tabled at AGM. Their statutory timelines range from four to nine months after FYE.[73] As for EU, its member states are allowed to set their own requirements.[74]

[73] UK requires listed companies to circulate and file annual accounts and reports within 6 months after FYE and NLCos within 9 months after FYE. For NZ, entities subject to mandatory climate reporting are required to circulate and file both the climate statements and FS within 4 months after FYE.

[74] In Germany, FS, and management reports must be circulated without delay after the documents are ready and, in the Netherlands, FS and management reports must be circulated within 4 months after FYE for listed companies and for other companies, 5 months after FYE.

F5. We recommend **applying the existing statutory timelines for reporting and filing of FS to CRD.** This will facilitate timely communication to users, thereby enhancing the usefulness of such information. It will also remove the administrative burden of circulating materials to shareholders twice. Table 5 below contains the details.

Table 5: Proposed timelines for CRD, assurer's report and director's statement

Timeline for	Listed Companies	NLCos	
		AGM is dispensed	**AGM is not dispensed**
Circulate to shareholders	Not less than 14 days before AGM	Within 5 months after FYE	Not less than 14 days before AGM
Table at AGM	Within 4 months after FYE	-	Within 6 months after FYE
File for public use	Within 5 months after FYE	Within 7 months after FYE	

F6. If more time is required to prepare CRD, companies can apply for extension of time to hold their AGM or to file annual returns, as currently done for FS. The timeline can be extended under valid circumstances.

Recommendation F1 – The existing reporting and filing timelines for FS in the CA should be applied to CRD, together with the mechanism to apply for extension of time.

Question F1 – Do you agree with the above recommendation? Please state the reasons for your response.

Structured Data Format for CRD

F7. In September 2022, MAS and SGX Group introduced an integrated disclosure portal called ESGenome to improve accessibility of ESG data. ESGenome enables Listed Issuers to upload corporate-level sustainability data, which can be mapped into various reporting frameworks. To better align users and reporters of ESG information, SGX Group recommends a list of 27 core ESG metrics for issuers to use.[75]

F8. For financial reporting, ACRA requires FS to be filed except for solvent exempt private companies. The filing is made in (structured) XBRL format, a globally adopted standard for tagging business and financial reports.[76] With XBRL, financial data such as revenue, profit, and net assets, is categorised uniformly and made readily available

[75] SGX RegCo: Consultation Paper on Starting with a Common Set of Core ESG Metrics, August 2021.

[76] XBRL refers to eXtensible Business Reporting Language.

for analysis by the public and private sectors, thereby increasing the usefulness of financial data filed with ACRA.

F9. To promote digital consumption, EU will require companies subject to mandatory reporting to file sustainability reports using Inline XBRL technology.[77] It is developing a digital taxonomy to allow the reported information to be tagged in accordance with the European Sustainability Reporting Standards. Switzerland and US have also announced the intention to require digital filing of climate reports.

F10. The IFRS Foundation is developing an IFRS Sustainability Disclosure Taxonomy,[78] modelled after requirements in the ISSB Standards. The proposed taxonomy is likely to be issued for consultation by December 2023.

F11. **We recommend requiring CRD to be filed in a digital structured format,** except those for solvent exempt private companies, to be prescribed by the regulators. This is consistent with the filing of FS. It will enhance the accessibility of climate-related information, thereby encouraging the use of such information.

Recommendation F2 – CRD should be filed in a digital structured format to facilitate the consumption of data.

Question F2 – Do you agree with the above recommendation? Please state the reasons for your response.

Location of Disclosures

F12. EU, NZ, and UK have required their companies to make the disclosures in separate sections of the annual reports. In particular, UK and EU require these disclosures to be made within the Strategic or Management Reports while NZ requires disclosures to be made in a separate Climate Statement.

F13. Currently, Listed Issuers are allowed to (a) include sustainability reports in the annual report or (b) include a summary in its annual report and issue a full standalone sustainability report. About 60% of Listed Issuers opted to issue standalone reports, according to a 2021 study.[79]

[77] Inline XBRL Technology is an open standard that enables a single document to provide both human-readable and structured, machine-readable data.

[78] In May 2022, IFRS Foundation published the 'Staff Draft of the IFRS Sustainability Disclosure Taxonomy', setting out the initial thinking when developing the proposed IFRS Sustainability Disclosure Taxonomy.

[79] SGX Group and NUS Centre for Governance and Sustainability: Sustainability Reporting Review 2021, May 2021.

Recommendations by SRAC

F14. To accommodate our varied practices, we propose to allow Listed Issuers the choice to present CRD, either (a) in a separate report or (b) as part of the annual report. If option (a) is chosen, both reports must be circulated and made available at the same time.

Recommendation F3 – Listed Issuers can include CRD (a) in a separate report; or (b) as part of the annual report. If CRD is included in a separate report, both reports must be published at the same time.

Question F3 – Do you agree with the above recommendation? Please state the reasons for your response.

G. Other Legal Requirements

G1. To provide investors, lenders, and other stakeholders with credible high-quality information for their decision making, there is a need to uphold accountability over CRD.

G2. Currently, Listed Issuers are required to comply with requirements relating to TCFD recommendations and filing of CRD in a timely manner. Legal responsibilities rest with the 'Relevant Person', being the issuer, its directors, executive officers and issue managers.

G3. Internationally, EU, NZ and UK have imposed similar legal responsibilities. In addition, UK has a legal requirement for tabling of climate reports at AGM. The persons accountable ranges from the company, its directors and officers.

G4. To align with our recommendation on reporting and filing timelines, we propose to apply the same legal requirements on financial reporting to climate reporting, except for internal controls (covered in paragraphs G6 to G8 below). Table 6 summarises the proposed legal requirements for CRD and the parties responsible.

Table 6: Proposed legal requirements for CRD

Scope of legal requirements (See Appendix B for details)	Parties responsible in the event of default
Keep CRD records	Company and every officer in default[80]
Circulate CRD and climate auditor's report timely to members	
Table CRD at AGM with relevant content	Every director

[80] Section 408(3) of CA defines "officer who is in default" or any like phrase as any officer of the company or corporation who knowingly and wilfully — (a) is guilty of the offence; or (b) authorises or permits the commission of the offence.

Scope of legal requirements (See Appendix B for details)	Parties responsible in the event of default
Table climate auditor's report at AGM timely with relevant content	
File CRD, climate auditor's report and director's statement timely (not applicable to solvent exempt private companies)	Company and every officer in default
Voluntary revision of defective CRD	Every director in default
Appoint external climate auditors	Company and every director in default

G5. The following legal provisions will correspondingly apply when the above requirements are incorporated in CA:

(a) **section 157C of CA** allows directors to rely on information and advice given by an employee, a professional adviser or expert, or any other director or committee of directors if he or she acts in good faith, makes proper inquiry, and has no knowledge that such reliance is unwarranted;

(b) **section 157(1) of CA** requires a director at all times acts honestly and uses reasonable diligence in the discharge of his or her duties; and

(c) **section 401(2) of CA** provides that any person who wilfully makes or authorises the making of a false or misleading statement can be subjected to a fine of up to $50,000 or to imprisonment not exceeding two years, or to both.

System of Internal Controls for CRD

G6. Internal controls are intended to prevent errors and irregularities, identify problems, and ensure corrective action is taken. In view of their benefits, public companies[81] and their subsidiaries are required under CA to devise and maintain a system of internal accounting controls. In case of default, the company and officer in default are held responsible.

G7. EU and UK do not impose any legal requirement to establish and maintain a system of internal controls specifically for CRD. On the other hand, NZ requires in-scope entities to establish and maintain a satisfactory system of control over CRD records required to be kept. Legal responsibility rests on the entity.

[81] Section 4 of CA defines

"public company" as a company other than a private company; and

"private company" as (a) any company which immediately prior to 29 December 1967 was a private company under the provisions of the repealed written laws; (b) any company incorporated as a private company by virtue of section 18; or (c) any company converted into a private company pursuant to section 31(1), being a company which has not ceased to be a private company under section 31 or 32.

G8. At the current juncture, we propose **to encourage companies (but not mandate a legal requirement) to devise and maintain a system of internal controls specifically for CRD in the CA**. To the extent that climate-related information is contained within the FS of companies, the existing requirements on internal controls will continue to apply to this information. This requirement should be re-visited when Reasonable Assurance is imposed on CRD.

Recommendation G1 – The existing legal requirements related to financial reporting should be imposed on climate reporting, except for internal controls that should be encouraged.

Question G1.1 – Do you agree with the above recommendation? Please state the reasons for your response.

Question G1.2 – In terms of sanctions, should climate reporting be placed on equal footing with financial reporting at this juncture? Please explain your rationale.

Legal Responsibility to Apply When Filing Voluntarily

G9. Companies not subject to mandatory CRD reporting are free to decide the scope and extent of disclosures, which could differ significantly from those to be reported by companies subject to mandatory reporting. For example, if a different framework is used, the CRD may not be complete or comparable to users of the information.

G10. To facilitate comparability among filed climate reports, we propose to allow these companies to voluntarily file CRD only when their CRD complies with the prescribed CRD. Such filing can be accepted, even if external Limited Assurance has not been obtained.

G11. We also propose for the legal requirements covered in paragraphs G4 and G5 to correspondingly apply on these companies upon voluntary filing. With the inclusion, the regulator can uphold the quality and reliability of CRD filed for public use.

Recommendation G2 – Companies not subject to mandatory reporting can voluntarily file their climate reporting if they have prepared it in accordance with the prescribed CRD. The applicable legal requirements will apply upon filing.

Question G2 – Do you agree with the above recommendation? Please state the reasons for your response.

Recommendations by SRAC

Directors' Voluntary Revision of Defective CRD

G12. For financial reporting, CA has a provision to allow directors to voluntarily correct errors at an earlier opportunity than in the next year's FS.[82] This process is simpler, as compared to the alternative of expunging accounting records through court. As a safeguard, the revised FS must be circulated to shareholders within 30 days after revision date and tabled at the next general meeting held after revision date.

G13. We propose to avail the same provision for climate reporting, with the same safeguard. In view of the nascent stage of climate reporting for most companies, errors may be made and identified shortly after reporting. Directors should be provided a mechanism to rectify these errors expeditiously, while keeping shareholders informed.

Recommendation G3 – Provide the mechanism for directors to voluntarily revise defective CRD, with the same safeguard as for financial reporting.

Question G3 – Do you agree with the above recommendation? Please state the reasons for your response.

[82] Section 202A(2) of CA states — Where this section applies, if it appears to the directors of the company that the financial statements or, in the case of a parent company, consolidated financial statements or balance sheet do not comply with the requirements of this Act (including compliance with the Accounting Standards), the directors may cause the financial statements, or consolidated financial statements or balance sheet (as the case may be), to be revised and make necessary consequential revisions to the summary financial statement or directors' statement.

List of Recommendations

Companies Required to Report	
C1	(a) Mandate climate reporting on: (i) Listed Issuers from FY2025; and (ii) NLCos limited by shares with annual revenue of at least $1 billion from FY2027, (b) Conduct a review in 2027 with a view to require climate reporting by NLCos limited by shares with annual revenue of at least $100 million to less than $1 billion, a few years later, by around FY2030, subject to the exemptions in Recommendation C2.
C2	NLCos will be exempted from mandatory reporting if: (a) its immediate, intermediate or ultimate parent (local or foreign), determined according to the prescribed accounting standards in Singapore, is minimally preparing climate or sustainability reports in accordance with prescribed CRD in Singapore or deemed equivalent; and (b) its activities are included in that parent's report, which is available for public use.
C3	The revenue threshold for NLCo should be measured using company-level financials, • unless the NLCo is a parent (according to the prescribed accounting standards in Singapore), • in which case, revenue should be measured based on group-level financials.
C4	The revenue threshold for NLCo should be assessed based on the financials for two FYs immediately preceding the current FY, • unless the company (i) has not reached its third FY after incorporation, or (ii) is in the first or second FY when the proposed reporting obligations commence, • in which case revenue should be assessed based on the current FY.
Reporting Standard	
D1	Climate reporting should be prepared using the prescribed (baseline) CRD, which mirror the requirements in the ISSB Standards, to the extent practicable.
D2	In respect of (temporary) transition reliefs in the ISSB Standards, we propose to: (a) apply at least the same duration to all companies subject to mandatory reporting; (b) extend two-year relief on Scope 3 GHG emissions for NLCos subject to mandatory reporting; and (c) review the application of ISSB Standards for disclosure of sustainability-related risks and opportunities beyond CRD for all companies subject to mandatory reporting a few years later.
D3	Allow disclosures in compliance with other standards and frameworks to be included in the same report if both conditions are met: (a) the standards and frameworks applied are prominently disclosed; and (b) the additional disclosure does not contradict or obscure the information required by the prescribed CRD.
External Assurance	
E1	External Limited Assurance should be obtained on Scope 1 and Scope 2 GHG emissions two years after mandatory reporting, i.e. • Listed companies from FY2027; and • NLCos with annual revenue of at least $1 billion from FY2029.
E2	External assurance should be provided by a registered climate auditor, which can be either an ACRA-registered audit firm or a SAC-accredited TIC firm.

List of Recommendations

E3	Assurance is to be conducted using either: (a) A Singapore standard equivalent to ISSA 5000; or (b) SS ISO 14064-3.
E4	To be registered as climate auditors, SAC-accredited TIC firms are required to meet similar requirements as ACRA-registered audit firms, except for quality management where they can obtain equivalent accreditation under ISO/IEC 17029 *Conformity assessment – General principles and requirements for validation and verification bodies*.
E5	To register as a qualified signing individual, one must be able to demonstrate practical experience and meet the CPE requirements such as completing a minimum of 40 hours of accredited courses in the past 12 months.
E6	Allow for one-off transition of professionals with applicable or adjacent competencies to be signing individuals, namely: (a) Individuals equivalent to partner level currently providing sustainability assurance services under Carbon Pricing Act 2018; and (b) ACRA-registered public accountants that have passed the recognised bridging courses.
Reporting and Filing	
F1	The existing reporting and filing timelines for FS in the CA should be applied to CRD, together with the mechanism to apply for extension of time.
F2	CRD should be filed in a digital structured format to facilitate the consumption of data.
F3	Listed Issuers can include CRD (a) in a separate report; or (b) as part of the annual report. If CRD is included in a separate report, both reports must be published at the same time.
Other Legal Requirements	
G1	The existing legal requirements related to financial reporting should be imposed on climate reporting, except for internal controls that should be encouraged.
G2	Companies not subject to mandatory reporting can voluntarily file their climate reporting if they have prepared it in accordance with the prescribed CRD. The applicable legal requirements will apply upon filing.
G3	Provide the mechanism for directors to voluntarily revise defective CRD, with the same safeguard as for financial reporting.

Appendix A: About SRAC

The SRAC comprises 15 members from diverse backgrounds, including directors, chief sustainability officers, sustainability reporting professionals, representatives of financial institutions, investors, and academia:

Members	Designation	Represents
Ms Esther An (Chairperson)	Chief Sustainability Officer, City Developments Limited	-
Mr Bey Soo Khiang	Vice-Chairman, Royal Golden Eagle Group	-
Ms Chan Yen San	Partner, KPMG in Singapore	-
Mr Chia Ko Wen	Head of Sustainability, Singlife with Aviva	Life Insurance Association and General Insurance Association
Ms Fang Eu-Lin	Partner and Sustainability and Climate Change Practice Leader, PwC Singapore	Institute of Singapore Chartered Accountants' Sustainability and Climate Change Committee
Ms Grace Goh Bee Kheng	Managing Director, Finance; Head, Investment Services, Temasek International Pte. Ltd.	-
Mr Brian Ho Chi Kuen	Partner, Climate & Sustainability Assurance Leader for Asia Pacific and Southeast Asia, Deloitte Singapore	-
Mr Koh Chin Beng	Partner, Risk Advisory Services, BDO Singapore	Institute of Internal Auditors
Mr Koh Yeong Kheng	Director (Finance), Straits Construction Group Pte Ltd	Association of Small & Medium Enterprises
Professor Lawrence Loh	Director, Centre for Governance and Sustainability, NUS Business School	-
Mr Max Loh	Former Managing Partner, EY Asean, Singapore & Brunei	Singapore Institute of Directors
Mr Uantchern Loh	Chief Executive Officer, Asia Pacific region, Black Sun	Securities Investors Association (Singapore)
Mr Kevin John Monteiro	Executive Director and Chief Financial Officer, Japfa Ltd	SGListCos Association
Mr Helge Muenkel	Chief Sustainability Officer, DBS	Green Finance Industry Taskforce
Mr Shinbo Won	Managing Director, Head of Asia ex-Japan, BlackRock Investment Stewardship, BlackRock	Investment Management Association of Singapore

Appendix B: Legal Requirements

Proposed legal requirements	Parties responsible
1. **Keeping of CRD records** Keep records: - that will enable company to prepare CRD that comply with the prescribed CRD requirements; - for period of not less than 5 years after FYE; and - in Singapore, and at all times open to inspections by directors.	Company and every officer in default
2. **Circulate CRD and climate auditor's report timely to members** - CRD and climate auditor's report are circulated to members: (i) not less than 14 days before AGM, unless AGM is dispensed with (for private company only); and (ii) if AGM is dispensed with, documents are circulated to members not later than 5 months after FYE. - If any member or climate auditor sends notice not later than 14 days after documents are circulated requiring AGM to be held, AGM must be held within 14 days after receiving the request.	Company and every officer in default Every director in default
3. **Table CRD at AGM with relevant content** - CRD comply with prescribed CRD requirements, unless exempted by the regulator; and - Table CRD for shareholders' approval at AGM, unless AGM is dispensed with (for private company only).	Every director
4. **Table climate auditor's report at AGM timely with relevant content** - CRD are assured not less than 14 days before AGM; - Climate auditor's report contains required information; and - Climate auditor's report is tabled for shareholders' approval at AGM.	
5. **File CRD, climate auditor's report and directors' statement timely for public use** - CRD, climate auditor's report and directors' statement are filed with the regulator: (i) within 5 months after FYE (for listed company); and (ii) within 7 months after FYE (for NLCos); unless the regulator grants extension of time upon application.	Company and every officer in default
6. **Voluntary revision of defective CRD** - Revised CRD are tabled at the next general meeting held after revision date.	Every director in default
7. **Appoint independent and competent external climate auditors** - Appoint external climate auditors who are: (i) independent and competent; and (ii) registered with the regulator to assure Scope 1 and Scope 2 GHG emissions.	Company and every director in default