KEY DISCUSSION POINTS FROM INDUSTRY CONSULTATION ON PROPOSED MANDATORY SUSTAINABLE REPORTING

SINGAPORE BUSINESS FEDERATION
Apex Business Chamber

Organised by SBF with 30 representatives of large non-listed companies on 22 Aug 2023

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Sustainability reporting is not just a compliance exercise, but a catalyst for change.

- Helps companies identify gaps for organisational transformation, gain a competitive edge in new markets, and meet stakeholder expectations.
- Supports companies to manage emissions and seize green transition opportunities.

2

Key global developments around mandatory reporting will impact companies in the near term.

- Banks will request disclosure of certain targets and/or metrics by companies, **impacting access to green financing**.
- **Companies with substantial activity in the EU** will be subject to sustainability reporting requirements from FY2028.
- The government will provide support in the areas of capability building and reporting tools to **support Singapore companies in the transition**.

3

Large non-listed companies (NLCOs) with >$1 billion in revenue must report climate related disclosures (CRDs) by FY2027.

- Large NLCos are economically significant with **higher exposure to climate related risks** and likely to have a wide geographical footprint.
- While some have already started their sustainability reporting journey, FY2027 provides **a reasonable runway for all NLCOs to build compliance capabilities**.
- NLCos with annual revenue of between $100 million and $1 billion will be required to report by around FY2030.

4

The recent SRAC recommendations focus on Scope 1 and 2 CRDs, with a subsequent two-year runway for Scope 3 CRDs.

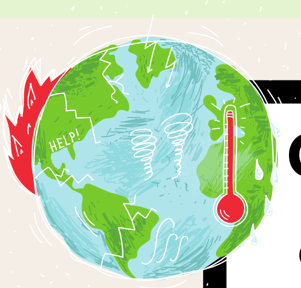
- Clear global and national climate targets under the environmental pillar serve as reference points for the areas to be covered under climate reporting.
- Companies new to climate reporting will be able to progressively implement processes to measure more-complex Scope 3 emissions, through a **temporary relief from disclosing Scope 3 emissions**.
- While baseline requirements will cover climate Scope 1 and 2 disclosures, companies that are more advanced or subjected to market and shareholder requirements may **report voluntarily across a wider scope and coverage of issues**.

5

SRAC recommends adopting ISSB Standards instead of other reporting frameworks.

- Singapore is an international financial and trade hub and the adoption of internationally recognised standards will **facilitate global operations and reduce compliance costs**.
- Adopting ISSB Standards for sustainability reporting **aligns with IFRS accounting standards and enables global adoption**. ISSB Standards have undergone rigorous due processes and public consultations, making them well-positioned for international endorsement.
- While companies will be required to submit ISSB-aligned climate-related disclosures, they may **concurrently and voluntarily report against other standards**.

KEY RECOMMENDATIONS BY THE SUSTAINABILITY REPORTING ADVISORY COMMITTEE (SRAC) TO ADVANCE CLIMATE REPORTING IN SINGAPORE



Companies required to report using local prescribed standards

- Listed issuers to report climate related disclosures (CRDs) from FY2025, followed by large non-listed companies (NLCos) with annual revenue of at least $1 billion from FY2027.
- A non-listed subsidiary is exempted from reporting if its parent (local or foreign) reports prescribed CRDs or equivalent and its activities are included.
- A review to be conducted in 2027, with a view to mandate reporting on NLCos with annual revenue of at least $100 million by around FY2030.

Prescribed standards aligned with the ISSB requirements for climate reporting

- Focus on climate reporting as a start.
- Align with requirements of the ISSB standards, with more time given to make complex disclosures such as Scope 3 GHG emissions (i.e. Listed Issuers from FY2026, large NLCos from FY2029).
- Allow concurrent use of other standards or frameworks (e.g. GRI) in the same report.

External assurance requirement

- Limited assurance on Scope 1 and Scope 2 GHG emissions to be obtained, 2 years after climate reporting takes effect (i.e. Listed Issuers from FY2027, large NLCos from FY2029). [Limited assurance is when verifier can form a conclusion, but there is limited certainty due to the information available]
- ACRA-registered audit firms and SAC1-accredited Testing, Inspection and Certification firms can apply to be registered climate auditors.
- Assurance to be conducted using endorsed local standards modelled on International Standard on Sustainability Assurance 5000 or International Organization for Standardization (ISO) 14064-3.

Reporting and filling requirements

- Same statutory timelines for circulation, tabling at annual general meetings and filing as those for financial statements.
- Same legal requirements as those for financial reporting, except for internal controls (to be encouraged at this juncture).

Link to detailed recommendations: https://www.acra.gov.sg/docs/default-source/default-document-library/legislation/listing-of-consultation-papers/pubic-consultation-on-srac's-recommendations/consultation-paper-recommendations-by-srac.pdf