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Advancing Corporate Sustainability – Key Developments

CLA Global TS Holdings Pte. Ltd.

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Advancing Corporate Sustainability – Key Developments

At the FY2024 Ministry of Finance's (MOF) Committee of Supply (COS) Debate Speech by Second Minister for Finance Mr Chee Hong Tat on 28 February 2024[1], key developments on the sustainability reporting requirements in Singapore were unveiled. These follow the recommendations and public consultation championed by the Sustainability Reporting Advisory Committee (SRAC) set up in 2022 by the Accounting and Corporate Regulatory Authority (ACRA) and the Singapore Exchange (SGX) to evaluate and improve the quality and transparency of sustainability reporting in the country, as well as to advance the national agenda on sustainable development. At a government level, tenders for large construction and ICT projects are slated to include up to 5% evaluation points on sustainability-related considerations, which indicate that companies who are able to demonstrate their initiatives and programmes in this area are likely to have an advantage.

The Ministry of Trade and Industry's (MTI) COS Debate Speech by Minister of State Ms Low Yen Ling on 1 March 2024[2] further elaborated on support schemes for first-time sustainability reporters and to bolster the number of professionals able to support companies in their sustainability journey.

[1] MOF | Speeches
[2] Speech by MOS Low Yen Ling at MTI's Committee of Supply Debate 2024

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Key Amendments to Sustainability Reporting Requirements

The MOF COS debate speech solidified the following recommendations from the SRAC, and the full recommendations list was published by ACRA[3]:

Requirement	Listed companies	Large non-listed companies (with annual revenues over $1 billion and total assets over $500m)	Other non-listed companies
Climate reporting based on local prescribed reporting standards (in line with the International Sustainability Standards Board)	Effective FY2025	Effective FY2027, unless exemptions met[4]	ACRA will release more information after FY2027, with two years advance notice prior to adoption of such requirements
Obtain external limited assurance on Scopes 1 and 2 greenhouse gas emissions	Effective FY2027	Effective FY2029	
As a transition measure, include Scope 3 emissions in the sustainability report	Effective FY2026	Effective FY2029	

Since 2021, SGX-listed companies have been required to include climate reporting as a primary component of their sustainability report on a "comply or explain" basis[5], with five industries being earmarked for compulsory reporting in FY2023 and FY2024. The prevalent framework for reporting on climate risks and opportunities has been the Task Force on Climate-related Financial Disclosures[6] (TCFD), which has transferred its responsibilities to the International Sustainability Standards Board (ISSB) as of the beginning of 2024. ISSB has issued two standards (S1 and S2), which fully incorporate the disclosure recommendations made by the TCFD.

As a transition measure, companies using other internationally recognised standards and frameworks for climate reporting (which may include the TCFD, Global Reporting Initiative (GRI) Standards, Global Real Estate Sustainability Benchmark (GRESB), Sustainability Accounting Standards Board (SASB), United Nations' Sustainability Development Goals (UNSDG), UN Global Compact, etc.) will be exempted from the new requirements for three years.

[3] response-to-public-consultation-on-climate-reporting-and-assurance-roadmap-for-singapore.pdf (acra.gov.sg)
[4] For a transitional period of three years (FY2027 to FY2029, both years inclusive), large non-listed organisations whose parents are reporting climate-related disclosures using other international standards and frameworks such as TCFD and GRI are exempted from mandatory reporting.
[5] Consultation Paper on Climate and Diversity - Singapore Exchange (SGX)
[6] TCFD Knowledge Hub - TCFD Knowledge Hub (tcfdhub.org)

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Support For Businesses

While sustainability reporting is not new for listed companies, the debate speech has some fundamental and far-reaching impacts on both the collection of relevant GHG data and making of disclosures that will need to be published in the coming years.

With the support of the ISSB, companies who currently report under frameworks (such as the GRI and TCFD) will be looking at how to integrate or transition to the newer standards, and whether this may require them to overhaul internal processes and systems to meet the new disclosure requirements.

With recent changes, such as the GRI 2021 update and inclusion of climate reporting under TCFD, companies will also need to ensure that this change is consistently and correctly applied not just to local operations but to its other global locations as well.

The MTI COS debate speech announced support for first-time sustainability reporters using the ISSB, in a two-tiered approach:

Support for first-time sustainability reporters using the ISSB

Larger Companies	Smaller Enterprises
Support of up to 30% of the cost spent on their first sustainability report.	Support of up to 70% of the reporting cost.

Since 2021, listed companies have also been engaging with their internal audit functions to review sustainability reporting processes. With external assurance requirements for Scopes 1 and 2 emissions looming, companies will need to have a conversation with their independent assurance providers to discuss the impact this requirement will have on their upcoming audits – and how it will affect already tight reporting timelines that stretch company resources.

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Challenges In Reporting

The challenge of including Scope 3 emissions has also been long debated, as this extends the data gathering process to the upstream and downstream activities of the company, notably including the supply chain involving parties external to the organisation.

With the consequent complexity of the matter, TCFD recommends that GHG emissions should be calculated in line with the Greenhouse Gas Protocol[7] (GHG Protocol) Corporate Standard methodology and suggests that all organisations "consider disclosing" Scope 3 emissions. With fifteen areas of Scope 3 emissions under the GHG Protocol Scope 3 Corporate Standard[8] and their disclosure set to become mandatory, many companies will need to assess how this will change their disclosure requirements. One of the more challenging areas of Scope 3 includes computing the emissions associated with purchased goods and services, which will involve the procurement team and all vendors that the company work with.

For companies who are not currently categorised as a listed company or large non-listed company, even though their own GHG disclosures may not be mandatory for some time to come their key principals/customers are very likely to start demanding this information, which aside from requiring time and effort to compile, may become a condition for remaining in their qualified vendor list.

[7] Homepage | GHG Protocol
[8] Corporate Value Chain (Scope 3) Standard | GHG Protocol

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What do companies need to do?

While the effective dates of FY2027 and beyond may seem distant, the preparation for a report to be published takes a significant amount of time and resources and may cause a strain on companies who have not yet incorporated this into their business plan.

Before a Sustainability Report can be prepared, some of the Actions that Senior Management may need to consider include:

- Understanding the sustainability reporting environment and existing frameworks, as well as to look out for upcoming developments which may affect the requirements of the company;
- An assessment of the environmental, social and governance topics that are relevant to the company and its industry;
- A review of climate risks and opportunities which may affect the business, especially if the operations span several geographic locations;
- Capability building for employees by way of targeted trainings or workshops to equip them with the necessary skillsets;
- Assessing the organisation's value chain for sustainability-related impacts;
- Whether they can meet the evaluation criteria in government tenders for sustainability; and
- Setting in place data gathering systems to support the disclosures in the sustainability report.

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How CLA Global TS Can Help

At CLA Global TS, our Sustainability and Climate Change team have assisted clients in optimising their sustainability programmes and developing their sustainability report. For clients with an international footprint, our global network is also ready to support you in your sustainability requirements to ensure a seamless and connected experience.

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