

Climate Reporting to Help Companies Ride the Green Transition



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REGULATOR'S VOICE

In today's rapidly changing world, the impetus for corporate action on climate change has never been more pressing.

"The era of global warming has ended; the era of global boiling has arrived," warned António Guterres, Secretary-General of the United Nations last July.

Indeed, 2023 left its mark as the hottest year on global temperature records going back to 1850, according to the European Union's Copernicus Climate Change Service. Weather-related natural disasters across the world cost a record US\$63 billion (S\$85 billion) in 2023.

Scientists warn that we are reaching the tipping point. Heat waves, wildfires and floods have dominated headlines. Soaring prices have made staple foods unaffordable for many. If the world does not take collective action to curb global boiling, people's livelihoods and communities will be further affected. In time, the planet may no longer be habitable.

The momentum for bolder climate action is gaining pace. Over 675 financial institutions have joined forces under the Glasgow Financial Alliance for Net Zero to close key gaps in the global financial system and accelerate climate investment facilitated by credible, decision-useful climate data and transition plans.

A significant investment gap to fund the green transition continues to exist in Southeast Asia.

An estimated US\$1.5 trillion is required to meet the region's 2030 climate commitments, but only US\$45 billion in investments has been made across dedicated green investments since 2021, according to Bain & Company.

Separately, 5,372 investors have committed through the Principles for Responsible Investment to incorporate environmental, social and governance (ESG) issues into their investment decisions and seek ESG disclosures from the entities they invest in.

Singapore's climate reporting and assurance roadmap

These developments serve as a catalyst for corporates to embrace the green transition. In Singapore, the corporate reporting landscape for both listed issuers and non-listed companies is transforming.

In July 2023, the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation (SGX RegCo) issued a public consultation on the climate reporting and assurance roadmap for Singapore developed with the Sustainability Reporting Advisory Committee.

The roadmap received considerable support from the public and it was announced in February 2024 that Singapore would introduce mandatory climate-related disclosures (CRD) for listed issuers and large non-listed companies in a phased approach. This is part of the Government's efforts to help companies strengthen their capabilities in sustainability and ride the green transition.

Timeline for Climate Reporting in Singapore

Timeline for requirements	Listed Issuers	Large Non-Listed Companies*
CRD, including Scope 1 and 2 GHG emissions	FY2025	FY2027
CRD for Scope 3 GHG emissions	FY2026	No earlier than FY2029
External limited assurance on Scope 1 and 2 GHG emissions	FY2027	FY2029

*Non-listed companies with annual revenue \geq S\$1 billion and total assets \geq S\$0.5 billion

Listed issuers will need to transition from their current reporting under the Taskforce on Climate-related Financial Disclosures recommendations to the IFRS Sustainability Disclosure Standards issued by the International Sustainability Standards Board (ISSB standards) from FY2025. They will report on Scope 3 greenhouse gas (GHG) emissions a year later and have their Scope 1 and 2 GHG emissions externally assured two years later. As for large non-listed companies, the same will apply from FY2027.

The implementation timeline is summarised in the table “Timeline for Climate Reporting in Singapore”.

Hot on the heels of the announcement, SGX RegCo consulted the market on how the ISSB standards should be incorporated into its sustainability reporting rules for CRD. The consultation closed in April 2024. SGX RegCo is in the process of reviewing the feedback and will issue a response in due course.

What does this mean for boards?

Boards play a crucial role in setting climate-related goals, overseeing management’s implementation of sustainability strategies, and ensuring alignment with the company’s long-term objectives. While the ISSB standards do not dictate the pace and extent to which to advance the climate agenda, boards are encouraged to engage with their stakeholders (investors, employees, and communities) to align expectations.



By taking the bull by its horns, boards may find that aligning with climate goals can lead to cost savings in the short term, and the development of new, environmentally friendly solutions in the long term. Boards may also recognise the potential for leveraging these initiatives to attract responsible investors and access funding for innovative green projects.

In March 2024, the Climate Governance Initiative launched a free online course to help board directors understand climate change and its business impacts. The course highlights that effective climate governance goes beyond focusing solely on risks. It is also about recognising the opportunities that good climate governance can bring to the company.

The time is now ripe for boards to step up as stewards of sustainability and steer companies to embed climate considerations throughout their processes and decision-making. Boards that embrace climate reporting can not only meet regulatory requirements but also serve as a catalyst for driving long-term value creation and positioning their companies for success in a rapidly evolving business environment. ●