From strength to strength

Enhanced sustainability reporting regime

Summary, insights and perspectives

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Contents

The contents of this document should be read in conjunction with the SGX RegCo's Response Paper on Sustainability Reporting: Enhancing Consistency and Comparability and IFRS Sustainability Disclosure Standards. This document is not intended to be a comprehensive guide to the SGX RegCo's enhanced sustainability reporting regime and disclosure requirements in IFRS S1 and IFRS S2.

SGX RegCo's enhanced sustainability reporting regime

From strength to strength

Key enhancements relating to climate-related reporting and primary components

- On 23 September 2024, Singapore Exchange Regulation (SGX RegCo) announced[1] the **enhancement of the climate reporting rules by incorporating the IFRS Sustainability Disclosure Standards (IFRS SDS) issued by the International Sustainability Standards Board (ISSB)** into the sustainability reporting regime, following the broad support from public respondents to the consultation paper[2] released in March 2024.

- The **IFRS SDS are built based on the four pillars of the Task Force on Climate-related Financial Disclosures (TCFD):** Governance, Strategy, Risk Management, and Metrics and Targets. It contains two sustainability disclosure standards; IFRS S1 *General Requirements for Disclosure of Sustainability-related Financial Information* and IFRS S2 *Climate-related Disclosures.*

- IFRS S1 sets out the general requirements for disclosure of sustainability-related financial information including the conceptual foundations, core content, general requirements, judgements, uncertainties and errors. IFRS S2 sets out supplementary requirements that relate specifically to climate-related risks and opportunities.

- **The sustainability reporting regime introduced by SGX RegCo is enhanced based on the foundations built** since 2017, where listed issuers have been required to publish sustainability reports describing the Primary Components as set out in Listing Rule 711B on a 'comply or explain' basis. Subsequently in 2021, SGX RegCo introduced a roadmap for issuers to provide climate-related disclosures based on the TCFD recommendations, effective from financial year (FY) beginning on or after 1 January 2022.

The enhanced sustainability reporting regime is summarised in the table below:

Enhanced sustainability reporting regime, built on existing foundations	**From FY2025**	**Climate reporting** (including Scope 1 and Scope 2 greenhouse gas (GHG) emissions) **based on the IFRS SDS on a mandatory basis.** The baseline requirement is to apply all the requirements in IFRS S2 (**other than disclosure of Scope 3 GHG emissions**) and climate-relevant provisions in IFRS S1.	**From FY2026**	**Primary components** (see below) to be disclosed on a **mandatory basis.**
Foundations built over time	**Since FY2022**	**Climate reporting based on TCFD recommendations on a 'comply or explain' basis**, progressively made mandatory for listed issuers in the five prioritised industries: (i) financial, (ii) agriculture, food and forest products, (iii) energy, (iv) materials and buildings, and (v) transportation industries.	**Since FY2017**	**Primary components** to be disclosed on a **'comply or explain'** basis comprise: • Material environmental, social and governance (ESG) factors • Climate-related disclosures • Policies, practices and performance • Targets • Sustainability reporting framework • Board statement and associated governance

[1]SGX RegCo September 2024 news release: [SGX RegCo to start incorporating IFRS Sustainability Disclosure Standards into climate reporting rules]
[2]SGX RegCo March 2024 consultation paper: [Consultation Paper on Sustainability Reporting: Enhancing Consistency and Comparability]

SGX RegCo's enhanced sustainability reporting regime

From strength to strength – Other key areas to note

These include but not limited to:

Key areas	Enhanced sustainability reporting regime
Reporting of Scope 3 GHG emissions	In view of the challenges in relation to evolving measurement and reporting methodologies for Scope 3 GHG emissions, SGX RegCo intends to prioritise larger issuers by market capitalisation to report on Scope 3 GHG emissions from FY2026. SGX RegCo will review the issuers' experience and readiness before establishing the implementation roadmap for reporting of Scope 3 GHG emissions.
Assurance and timing of the sustainability report	Issuers are encouraged to obtain independent external assurance on the sustainability report. From FY2026, sustainability report to be issued at the same time with the annual report, or no later than 5 months after the end of the financial year if the sustainability report is externally assured. The transitional measure is introduced by SGX RegCo to encourage issuers to conduct external assurance on the sustainability report. Issuers will have up to 5 months after the end of the financial year to issue the sustainability report if the report is externally assured. In view that the International Standard on Sustainability Assurance (ISSA) 5000[3] will be formally published by the end of 2024, SGX RegCo will conduct a separate public consultation on the mandatory assurance requirements in the future.
Statement of compliance	In view that the current baseline requirement is to apply all the requirements in IFRS S2 (other than the disclosure of Scope 3 GHG emissions) and consequently apply the climate-relevant provisions in IFRS S1, issuers are not mandated to make an explicit and unreserved statement of compliance. However, issuers are encouraged to use and fully apply all the requirements in IFRS S1 (i.e. disclosing information about its other sustainability-related risks and opportunities) and IFRS S2 (including reporting of Scope 3 GHG emissions). SGX RegCo will conduct a separate public consultation on the implementation of IFRS S1 beyond climate-related disclosures in the future.
Use of other standards	Issuers are allowed to use other standards (e.g. Global Reporting Initiative (GRI) Standards) concurrently in the same report.
Reliefs - (permanent) structural and (temporary) transitional	As part of the **(temporary) transition reliefs**, issuers (including newly-listed issuers) need not do the following in the first year of reporting applying the IFRS SDS: i) provide its Scope 3 GHG emissions, ii) use the Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standards (2004) if it was previously using a different method; and iii) provide comparative information in respect of the preceding period. For reporting of Scope 3 GHG emissions, SGX RegCo will review the issuers' experience and readiness before establishing the implementation roadmap for reporting of Scope 3 GHG emissions. **Refer to Appendix for the (permanent) structural reliefs and illustration of possible phased approach.**

[3]The IAASB approved ISSA 5000 on 20 September 2024 and expects to share the final language before the end of the month, formally publish the standard by the end of 2024, and in January 2025, publish a range of guidance and application materials. The standard will be effective for assurance on sustainability information reported for periods beginning on or after 15 December 2026.

Sustainability reporting trends in Singapore and in Asia Pacific

The selected insights are from our upcoming third annual Sustainability Counts III publication, a collaborative effort between PwC and Centre for Governance and Sustainability (CGS), NUS Business School at the National University of Singapore. The study encompasses **50 top listed companies by market capitalisation in each of the 14 selected jurisdictions** in the Asia Pacific region based on available reports as at 13 May 2024.

State of practice in Asia Pacific – Selected insights

Climate-related disclosures

- Across Asia Pacific, slightly over half (56%) of the companies studied have carried out climate scenario analysis in 2024.
- Most of the companies in Singapore have disclosed only qualitative climate scenario (70%), followed by companies that disclosed both quantitative and qualitative scenario (27%).
- In Singapore, 94% of companies studied have disclosed their process for managing climate-related risks and/or opportunities; out of which 90% have disclosed how they integrate these risks into overall risk management.

Based on the PwC's Global Investor Survey 2023[4], 75% of respondents said that how companies manage sustainability-related risks and opportunities (including climate) is an important factor in their investment decision-making. Beyond that, investors want more details on the impact of company actions on the environment, and on society.

Scope 3 GHG level of disclosure

- With more jurisdictions adopting IFRS S2 *Climate-related Disclosures* in the future, Scope 3 GHG emissions disclosure needs to be more detailed such as including the categories as described in the Greenhouse Gas Protocol Corporate Value Chain (Scope 3) Accounting and Reporting Standard.
- In the Asia Pacific region, 64% of companies have started disclosing their Scope 3 GHG emissions. Most companies studied mainly disclose 1-5 scope 3 categories in their sustainability report.
- There are 15 Scope 3 GHG emissions disclosure. The level of Scope 3 GHG emissions disclosure in Singapore are as follows:

Scope 3 GHG emission categories	Percentage of SG listed companies
1-5 categories	60%
6-10 categories	24%
11-15 categories	16%

Calculating Scope 3 GHG emissions can be complex because it encompasses a wide range of indirect emissions that occur in a company's value chain. Companies are strongly encouraged to have an early start, companies can navigate the complexities of Scope 3 GHG emissions reporting more effectively, through leveraging the methodologies of the GHG Protocol, understanding gaps and challenges and developing a suitable roadmap.

Assurance

- Across Asia Pacific, there has been a steady increase in listed companies that sought external assurance for their sustainability report. In 2024, 60% of companies studied had obtained external assurance as compared to 49% of companies in 2023.
- 93% of listed companies in Singapore have started to obtain limited assurance over their sustainability performance disclosure, while 4% had obtained reasonable assurance.
- In Singapore, 89% of companies that obtained assurance were performed based on ISAE/SSAE 3000 and ISAE/SSAE 3410.

Independent assurance is a valuable tool for organisations to enhance trust and confidence over their sustainability information to investors, regulators and other stakeholders. Assurance of ESG information is an emerging area with the impending issuance of ISSA 5000 and jurisdictions such as Australia, beginning to seek for reasonable assurance.

[4]PwC's Global Investor Survey: PwC Global Investor Survey 2023

Application of IFRS S2 – Climate-related disclosures

Reporters should apply care in the application of IFRS S2, including the climate-relevant provisions under IFRS S1. The following are potential areas for reporters to consider. The content on this page is not intended to be a comprehensive guide to the disclosure requirements in IFRS S1 and IFRS S2.

Key matters to consider

		What the standards say	Further points
Obscuring information	IFRS S1.B27	An entity shall identify its sustainability-related financial disclosures clearly and distinguish them from other information provided by the entity.	Examples of obscuring information is the use of unclear or ambiguous language and the inappropriate aggregation or disaggregation of information that may confuse users of the report. While reporters may find it useful to continue reporting with the GRI Standards and include disclosures on IFRS S2, care needs to be applied in relation to obscuring information.
Reporting entity	IFRS S1.20	An entity's sustainability-related financial disclosures shall be for the same reporting entity as the related financial statements.	Aligning sustainability-related disclosures with the same reporting entity as the financial statements ensures consistency and connectivity in the information presented to stakeholders.
Reliefs and mechanisms	IFRS S1.(37-38), IFRS S2.(18-20)	Refer to Appendix for the list of : • Transition reliefs • Mechanisms to address proportionality challenges • Mechanisms to facilitate application	These reliefs are particularly important given the varying levels of preparedness and capability among entities globally. Companies can take a balanced approach that mitigates initial challenges while promoting long-term consistency and comparability in sustainability disclosures.
Industry based-metrics	IFRS S2.32	An entity shall disclose industry-based metrics that are associated with one or more particular business models, activities or other common features that characterise participation in an industry.	This is designed to provide stakeholders with detailed and relevant information about an entity's climate-related risks and opportunities, the industry-based metrics is tailored to specific industry, reflecting the specific matters pertinent in a particular sector or industry.
Sustainability-related risks and opportunities	IFRS S1.17	An entity shall disclose material information about the sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.	Based on the latest SGX RegCo announcement[1], while the use of the IFRS SDS beyond climate-related disclosures is encouraged, SGX RegCo will not be mandating it at this stage. Issuers can focus on adopting the IFRS SDS by starting with climate-related disclosures.
Climate-related transition plan	IFRS S2.9(c)	An entity shall disclose information to enable users of general purpose financial reports to understand the effects of those climate-related risks and opportunities on the entity's strategy and decision-making, including information about its climate-related transition plan.	The climate-related transition plan disclosures are a pivotal element in enhancing transparency regarding how entities plan to navigate the transition to a low-carbon economy. On June 2024, the IFRS Foundation announced[5] that it is taking over responsibility for the transition plan disclosure resources developed by the Transition Plan Taskforce (TPT).

[5]IFRS June 2024 news release: ISSB delivers further harmonisation of the sustainability disclosure landscape as it embarks on new work plan

Next steps

Vital steps to enhance your sustainability reporting

Sustainability reporting can be complex due to the need for accurate data collection, diverse stakeholder expectations, and evolving regulatory requirements. A structured approach, with clear goals and robust systems, helps companies navigate these challenges effectively, ensuring transparency and accountability.

It is also important to communicate a cohesive strategy between sustainability and financial reporting. Integrating sustainability into financial reporting can help companies to better identify and manage risks related to ESG factors.

Key steps for companies to consider. These include but not limited to:

1. **Assess if the organisation and/or its entities of the group will be subjected to SGX RegCo's enhanced sustainability reporting requirements**
2. **Assess if the organisation and/or entities within the group might be subjected to other sustainability reporting requirements including from other jurisdictions (e.g. EU CSRD)**
3. **Consider other aspects of sustainability reporting that the organisation would like to include based on its context and/or ambition**

   This includes but not limited to:

Other standards that the organisation may wish to use	Extent of GHG emissions (e.g. extent of Scope 3 GHG emissions)	Climate-first or beyond (under ISSB)
(Permanent) structural and (temporary) transitional reliefs	Limited or reasonable assurance	Double materiality

4. **Assess <u>when</u> the organisation and/or its entities will need to comply with aspects of sustainability reporting**
5. **Perform a gap analysis against requirements and ambitions**

Roadmap for sustainability reporting and assurance

(includes but not limited to quick-wins, longer-term considerations, review and update of governance structures, capacity building, data controls, assurance readiness)

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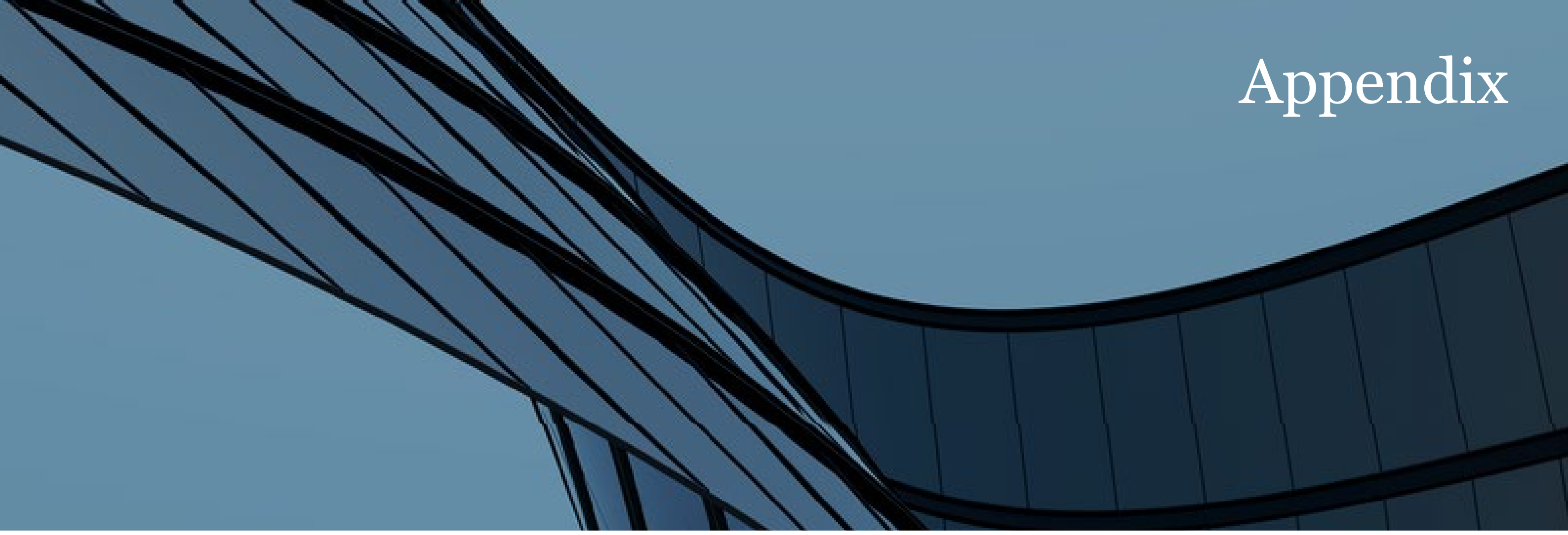

Appendix

Summary table of (permanent) structural reliefs

Source: IFRS

	Information limited to what is reasonable, supportable and available without undue cost or effort	Qualitative approaches allowed if entity lacks skills, capabilities or resources
Determination of anticipated financial effects	Yes	Yes
Climate-related scenario analysis	Yes	Yes
Measurement of Scope 3 GHG emissions	Yes	-
Identification of risks and opportunities	Yes	-
Determination of the scope of the value chain	Yes	-
Calculation of metrics in some cross-industry categories	Yes	-

Illustration of possible phased approach

Source: SGX RegCo

<table>
<tr><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><td colspan="2">Qualitative climate-related scenario analysis, with disclosure of reliance on the (permanent) structural reliefs*#</td><td>Climate-related scenario analysis with more quantitative outcomes</td></tr>
<tr><td colspan="2">Qualitative disclosure of current financial effects of climate-related risks or opportunities as the effects are not separately identifiable or the level of measurement uncertainty is high

Qualitative disclosure of anticipated financial effects of climate-related risks or opportunities, with disclosure of reliance on the (permanent) structural reliefs*#</td><td>More quantitative disclosures of current and anticipated financial effects of climate-related risks or opportunities, with disclosure of reliance on the (permanent) structural reliefs*# where necessary</td></tr>
<tr><td>Limited disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities*</td><td colspan="2">Disclosure of the amount or percentage of assets or business activities vulnerable to or aligned with climate-related risks and opportunities*</td></tr>
<tr><td colspan="3">Determined the scope of its value chain, including its breadth and composition, with disclosure of reliance on the (permanent) structural reliefs*</td></tr>
<tr><td>Disclosure of reliance on the (temporary) transition reliefs of (a) not using the Greenhouse Gas Protocol and (b) not providing comparative information in respect of the preceding period</td><td colspan="2">Use the Greenhouse Gas Protocol to calculate its GHG emissions

Comparative information in respect of the preceding period</td></tr>
<tr><td colspan="3">For issuers already disclosing Scope 3 GHG emissions, continue to disclose Scope 3 GHG emissions

For other issuers, to build capabilities to report Scope 3 GHG emissions</td></tr>
</table>

*Using all reasonable and supportable information that is available to the issuer at the reporting date without undue cost or effort
#Considering the issuer's skills, capabilities and resources