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Proposed Mandatory Climate Reporting for Listed Issuers and Large Non-Listed Companies

Introduction

Aiming to increase Singapore's competitiveness as a global business hub and to support our climate goals under the Singapore Green Plan 2030, the Accounting and Corporate Regulatory Authority ("ACRA") and Singapore Exchange Regulation ("SGX RegCo") formed the Sustainability Reporting Advisory Committee ("SRAC") to set out a roadmap for the wider implementation of sustainability or climate reporting by companies in Singapore.

On 6 July 2023, ACRA and SGX RegCo jointly released the [Consultation Paper titled "Turning Climate Ambition into Action in Singapore"](#) which sets out SRAC's recommendations to implement mandatory climate reporting requirements in a tiered and phased manner, beginning with issuers of equity securities on the Singapore Exchange Securities Trading Limited ("**Listed Issuers**") and extending these requirements to large non-listed companies ("**NLCos**") above a certain annual revenue threshold via the Companies Act 1967 ("**CA**"). Other key recommendations include introducing specific International Sustainability Standards Board ("**ISSB**") Standards as baseline reporting standards and imposing external climate-related audit / assurance requirements.

ACRA and SGX RegCo intend to finalise the recommendations by 2024, and will take into consideration the feedback received on the Consultation Paper. Feedback must be submitted before **30 September 2023**.

This Update highlights these key recommendations and proposals.

Mandatory CRD Reporting Requirements

Listed Issuers

Current requirements

Listed Issuers are required under the SGX Listing Rules (Mainboard) and SGX Listing Rules (Catalist) ("**Listing Rules**") to publish sustainability reports and describe their sustainability practices on a "comply or explain" basis with reference to six primary components, including climate-related

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disclosures ("**CRDs**") that is aligned with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

- From the financial year ("**FY**") commencing between 1 January 2023 and 31 December 2023, climate reporting is mandatory for Listed Issuers in three industries: (i) financial; (ii) agriculture, food and forest products; and (iii) energy. Other Listed Issuers will continue to adopt climate reporting on a "comply or explain" basis.
- From the FY commencing between 1 January 2024 and 31 December 2024, climate reporting will be mandatory for Listed Issuers in five industries: (a) financial; (b) agriculture, food and forest products; (c) energy; (d) materials and buildings; and (e) transportation. Other Listed Issuers will continue to adopt climate reporting on a "comply or explain" basis.

You may read more about this in our earlier December 2021 Legal Update that covered SGX's requirements on CRD [here](#).

Proposed requirements

From FY commencing on or after 1 January 2025, all Listed Issuers must report ISSB-aligned CRDs. SGX RegCo aims to consult on any amendments to the Listing Rules on sustainability reporting by the end of 2023. The reporting requirements will **not** apply to issuers of listed debt securities because listed debt securities are largely offered to wholesale investors and typically traded over the counter, and the information that investors expect to be disclosed in respect of debt securities is limited 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.

NLCos

Current requirements

Save for those subject to the Energy Conservation Act 2012 and Carbon Pricing Act 2018, NLCos incorporated in Singapore are not required under Singapore legislation to prepare any form of climate reporting in Singapore.

Proposed requirements

NLCos limited by shares with an annual revenue of at least S\$1 billion ("**Large NLCos**") will be subject to mandatory CRD reporting requirements from FY 2027. For now, SRAC will exclude foreign branches and NLCos limited by guarantees. Proposals on how to determine annual revenue and for assessing size threshold are set out in the Consultation Paper. These requirements are expected to affect approximately 300 companies, after taking into account exemptions.

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In 2027, SRAC recommends a review to decide whether to mandate CRD reporting requirements for NLCos limited by shares with an annual revenue of at least S\$100 million to less than S\$1 billion, by around FY 2030.

Exemptions: Subsidiaries of NLCos will be exempted from mandatory CRD reporting if they meet the following two conditions:

- (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.

Exempted companies need not apply for exemption. This is the same mechanism used for audit exemption on small companies under the CA.

ISSB Standards as Baseline Requirements Subject to Reliefs

Listed Issuers and Large NLCos will, subject to reliefs, be required to report CRD using the local prescribed baseline standards that mirror the requirements in the ISSB Standards, to the extent practicable.

To allow companies to prepare one report that complies with various standards and for different purposes, SRAC will also allow 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.

To facilitate implementation, SRAC recommends making available the (temporary) transition reliefs in the ISSB Standards as follows:

- For NLCos subject to mandatory CRD reporting requirements, extend two-year relief on Scope 3 greenhouse gas ("**GHG**") emissions.
- For all companies subject to mandatory CRD reporting requirements, SRAC will apply at least the same duration of relief granted by ISSB. SRAC will review the application of ISSB Standards for disclosure of sustainability-related risks and opportunities beyond CRD a few years later, when the scope of mandatory reporting is extended beyond climate reporting.

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External Assurance Requirements

Scope of assurance and implementation timelines

SRAC proposes that external assurance requirements will begin two years after mandatory CRD reporting requirements commence:

- From FY2027: Listed Issuers must obtain external Limited Assurance¹ minimally (instead of the higher level of Reasonable Assurance²) on GHG Scope 1 emissions and Scope 2 emissions. SRAC encourages companies to voluntarily obtain Reasonable Assurance over the entire climate report.
- From FY 2029: Large NLCos must comply with the external assurance requirements described above.

Assurance providers

ACRA-registered audit firms and Testing, Inspection, Certification (TIC) firms accredited by the Singapore Accreditation Council (SIC) can apply to be registered climate auditors. The Consultation Paper sets out details on the registration and continuing requirements for climate auditors, as well as the assurance standard, among others.

Reporting and Filing Timelines

SRAC recommends applying the existing statutory timelines for circulation, tabling at annual general meetings ("**AGMs**"), and filing for financial statements to CRD, along with the mechanism to apply for extension of time. On the reporting format, SRAC recommends that the CRD should be filed in a structured digital format as prescribed by ACRA and SGX RegCo.

Below we summarise the proposed reporting and filing requirements and timelines for Listed Issuers and NLCos.

Listed Issuers

| Requirement | Proposed Timeline |
|--|--|
| Circulating CRD, climate auditor's report and director's statement to shareholders | Not less than 14 days before AGM |
| Tabling CRD, climate auditor's report and director's statement at AGM | Within four months after financial year end (" FYE ") |

¹ 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...").

² 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...").

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| Requirement | Proposed Timeline |
|--|------------------------------|
| Filing CRD, climate auditor's report and director's statement for public use | Within five months after FYE |

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. SRAC recommends that Listed Issuers may either present CRD (a) in a separate report or; (b) as part of the annual report. If the Listed Issuer presents CRD in a separate report, then both reports must be circulated and made available at the same time.

NLCos

Where AGM is dispensed

| Requirement | Proposed Timeline |
|--|-------------------------------|
| Circulating CRD, climate auditor's report and director's statement to shareholders | Within five months after FYE |
| Tabling CRD, climate auditor's report and director's statement at AGM | N.A. |
| Filing CRD, climate auditor's report and director's statement for public use | Within seven months after FYE |

Where AGM is not dispensed

| Requirement | Proposed Timeline |
|--|----------------------------------|
| Circulating CRD, climate auditor's report and director's statement to shareholders | Not less than 14 days before AGM |
| Tabling CRD, climate auditor's report and director's statement at AGM | Within six months after FYE |
| Filing CRD, climate auditor's report and director's statement for public use | Within seven months after FYE |

Other Legal Requirements

To align with its recommendations on reporting and filing timelines, SRAC recommends applying the same legal requirements as those for financial reporting to climate reporting, except for the requirements to devise and maintain internal controls systems, which at this stage, will be encouraged but not mandated.

Companies, their directors and/or officers will be required by law to ensure that the legal requirements for CRD reporting are complied with. Key proposed legal requirements include:

- Keeping of CRD records;

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- Circulating CRD, climate auditor's report and director's statement to members in a timely fashion, and tabling such documents for approval at the AGM;
- Filing of the CRD, climate auditor's report and/or director's statement with the relevant regulator(s);
- Voluntary revision of defective CRD and, as a safeguard, to table the revised CRD at the next general meeting after the revision date; and
- Appointment of independent and competent external climate auditors.

Amendments will be made to the CA if SRAC's recommendations are accepted. Please refer to Appendix B of the Consultation Paper for details of the scope of the legal requirements and the parties responsible.

SRAC also proposes that the legal requirements will apply to companies that are not subject to mandatory reporting, but who voluntarily file CRD.

Our Comments

Climate change is a recognised risk. 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. Mandatory climate reporting in Singapore is imminent and it is imperative for Listed Issuers and NLCos to start considering how they can and will comply with such requirements, to the extent SRAC's recommendations are accepted and implemented, and ensuring their boards and management are equipped to meet the heightened scrutiny on their disclosures and climate strategy.

If you have any queries on the above development or wish to submit any feedback to the Consultation Paper, please feel free to contact our team members below who will be happy to assist.

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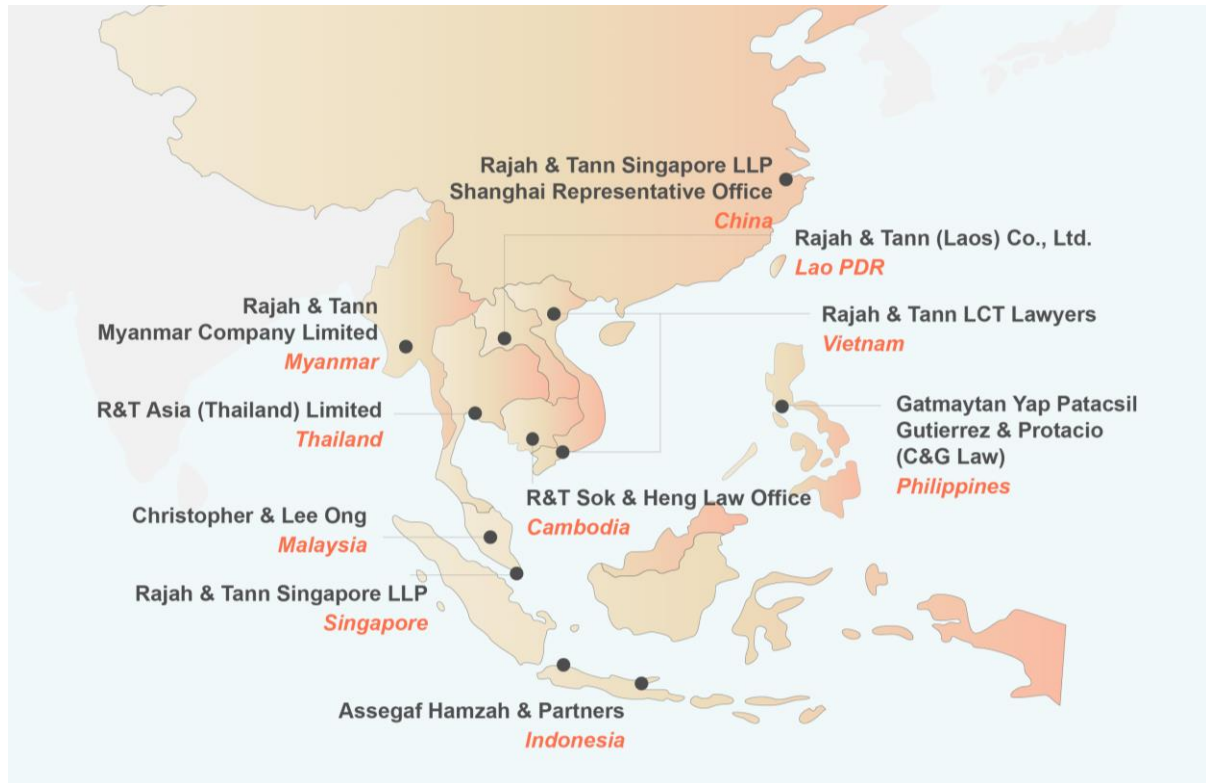
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