Singapore International Chamber of Commerce

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Feedback to ACRA

Public Consultation on Sustainability Reporting Advisory Committee's Recommendations to Advance Climate Reporting in Singapore

RECOMMENDATION C1

a) Mandate climate reporting on:
   i. Listed Issuers from FY2025; and
   ii. NLCos limited by shares with annual revenue of at least S$1 billion from FY2027,

b) Conduct a review in 2027 with a view to require climate reporting by NLCos limited by shares with annual revenue of at least S$100 million to less than S$1 billion, a few years later, by around FY2030,

subject to the exemptions in Recommendation C2.

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7. Question C1.1(a) – Do you agree with the above recommendation?

Partially, yes. See our response to Question C1.1(b) below.

8. Question C1.1(b) – Please state the reasons for your response. (*This field is required*)

We are in full agreement with the main point made by the SRAC in its consultation paper that "urgent action to combat climate change" is required as climate change is possibly an existentialistic threat. In addition, we agree that the recommendations of SRAC should hopefully "rally economically significant corporates and other stakeholders towards realising our national climate targets and transitioning to a green economy" and therefore the sustainability reporting regime in Singapore (the "SR Regime") should be robust and have a catalytic effect on promoting real changes made by companies in the arena of sustainability.

Given this, we do not agree with the revenue threshold of S$1 billion before NLCos are required to comply with the SR Regime from FY2027. This revenue threshold would result in only about 300 companies being subject to the SR Regime and the number is likely to be somewhat lower after the exemptions are taken into account. This would not be a meaningful number and would also not provide sufficient incentive for assurance or advisory firms to invest in capability and capacity building for the future, if the immediate addressable market is so small.

We believe that a more progressive SR Regime would be to apply a lower revenue threshold of S$500 million by the same deadline of FY2027. In lowering the revenue threshold to S$500 million, the universe of companies that would have to comply with the SR regime should be expanded to the region of 1,000 companies or so, with that being a more meaningful starting point, yet not resulting in companies being required to comply with the SR Regime when they lack sufficient resources to do so.

We expect that the vast majority of listed companies on the Singapore Exchange have an annual revenue far lower than S$1 billion (and a significant number below S$100 million). If the SR Regime exemption for NLCos is set at S$1 billion, this may be seen as creating another

incentive (to avoid the compliance burden and costs) for the privatisation of even more Singapore listed companies, which is an undesirable development for the capital markets in Singapore.

A revenue threshold of S$500 million would also be more consistent with the reporting thresholds adopted by the EU (which has a much lower revenue threshold of €40 million for exempting NLCos), the UK (which sets the revenue limit as £500 million) and Switzerland (CHF40 million).

9. Question C1.2 – Aside from international developments, industry capacity and the implementation experience of NLCos in Recommendation C1(a)(ii), what other factors should be considered in deciding the implementation timeline for NLCos in Recommendation C1(b)? Please state the reasons for your response.

We agree with the implementation timeline for NLCos.

10. Question C1.3 – Based on your response to Question C1.2, what is the appropriate timeframe to require mandatory reporting for NLCos in Recommendation C1(b)? Please state the reasons for your response.

We suggest that, during the review to be conducted in 2027 to bring into the SR Regime NLCos with a revenue of S$100 million by 2030, a more detailed and in-depth engagement and consultation exercise be conducted with the 300 to 1,000 or so NLCos that will have been required to report from 2027 onwards.

These NLCos would then be in a position to share their real issues and problems with early adoption and SRAC would be better advised as to whether the target year of 2030 to bringing down the revenue threshold to S$100 million should be pushed out or extended, so as to allow practical issues regarding the expansion of the reporting net to be properly addressed beforehand.

11. Question C1.4(a) – Do you agree with the recommendation not to use the benchmark criterions in paragraph C12?

Partially, yes. See our response to Question C1.4(b) below.

12. Question C1.4(b) – Please state the reasons for your response.

We agree with the recommendation not to use as benchmark criteria: (1) industry classification, (2) GHG emissions and (3) employee numbers.

However, we believe total assets is an important benchmark criterion and using only the measure of revenue or turnover as the sole proxy for economic activity may be inadequate or insufficient as firms with high emissions due to the deployment of inefficient assets will not be captured. There are companies that carry out economic activities with significant impact on the environment and who do not report any revenue as such activities are in the development or pre-revenue phase. For instance, a company that acquires land for the development of a major infrastructure project like a power generation plant, seaport, airport, commercial real estate and industrial property like a factory will generate significant GHG for some time and yet have revenue that would be below the revenue threshold for some time.

It is also worth pointing out that the SR Regime in the EU, Switzerland and New Zealand use a total assets benchmark criterion in conjunction with other criteria.

Nevertheless, there might be some NLCos that are holding companies owning a large amount of financial assets that may need to be exempted from any asset test requirement if these financial holdings do not result in these NLCos exercising management and control over other entities downstream. These financial holding companies may have large balance sheets but little carbon emission or GHG footprints as purely investment holding vehicles.

RECOMMENDATION C2

NLCos will be exempted from mandatory reporting if:

- 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
- its activities are included in that parent's report, which is available for public use.

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13. Question C2.1(a) – Do you agree with the above recommendation?

Yes

14. Question C2.1(b) – Please state the reasons for your response.

We believe that adopting exemptions similar to those implemented in the UK and the EU would be a useful starting point and the review to be conducted in 2027 can then take stock of the state of affairs in the context of the relevant regulatory approach and exemptions in other leading jurisdictions at that point.

This consistent approach will help ensure greater acceptance and buy-in from businesses here, especially since the MNCs that will avail themselves of these exemptions in Singapore would no doubt be familiar with the regulatory environment in the EU & the UK.

15. Question C2.2(a) – If a subsidiary of a foreign parent is exempted from mandatory reporting as per Recommendation C2, should the subsidiary still be required to report CRD-prescribed disclosures relating to its greenhouse gas (GHG) emissions to the appointed regulator?

To an extent, yes.

16. Question C2.2(b) – Please state the reasons for your response.

As mentioned in our response to question C2.1(b) above, we believe adopting an approach that is consistent with the EU, the UK and other leading jurisdictions would be preferable.

RECOMMENDATION C3

The revenue threshold for NLCo should be measured using company-level financials,

- unless the NLCo is a parent (according to the prescribed accounting standards in Singapore),
- in which case, revenue should be measured based on group-level financials.

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17. Question C3(a) – Do you agree with the above recommendation?

Yes

18. Question C3(b) – Please state the reasons for your response.

We agree with the reasons given in the Consultation Paper.

RECOMMENDATION C4

The revenue threshold for NLCo should be assessed based on the financials for two FYs immediately preceding the current FY,

- unless the company (i) has not reached its third FY after incorporation, or (ii) is in the first or second FY when the proposed reporting obligations commence,
- in which case revenue should be assessed based on the current FY.

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19. Question C4(a) – Do you agree with the above recommendation?

Yes

20. Question C4(b) – Please state the reasons for your response.

We agree that adopting the audit exemption criteria for small companies in the Companies Act is logical and practical.

RECOMMENDATION D1

Climate reporting should be prepared using the prescribed (baseline) CRD, which mirror the requirements in the ISSB Standards*, to the extent practicable.

*ISSB Standards refer to standards issued by the ISSB in June 2023, comprising:

- IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 Climate-related Disclosures

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21. Question D1(a) – Do you agree with the above recommendation?

Yes

22. Question D1(b) – Please state the reasons for your response.

We agree with the reasons given by SRAC in section D9 of the Consultation Paper. Standardisation is essential.

RECOMMENDATION D2

In respect of (temporary) transition reliefs in the ISSB Standards, we propose to:

a) apply at least the same duration to all companies subject to mandatory reporting;
b) extend two-year relief on Scope 3 GHG emissions for NLCos subject to mandatory reporting; and
c) review the application of ISSB Standards for disclosure of sustainability-related risks and opportunities beyond CRD for all companies subject to mandatory reporting a few years later.

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23. Question D2(a) – Do you agree with the above recommendation?

Yes

24. Question D2(b) – Please state the reasons for your response.

We agree with the reasons given by SRAC in section D10 to section D17 of the Consultation Paper.

RECOMMENDATION D3

Allow disclosures in compliance 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.

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25. Question D3(a) – Do you agree with the above recommendation?

Yes

26. Question D3(b) – Please state the reasons for your response.

We agree that it is practical and to be encouraged that only one report is issued by the Singapore company rather than multiple reports for different standards, as long as that report complies with the different standards that it proclaims to apply concurrently.

RECOMMENDATION E1

External Limited Assurance should be obtained on Scope 1 and Scope 2 GHG emissions two years after mandatory reporting, i.e.

- Listed companies from FY2027; and
- NLCos with annual revenue of at least S$1 billion from FY2029.

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27. Question E1.1(a) – Do you agree with the above recommendation?

No

28. Question E1.1(b) – Please state the reasons for your response.

External assurance is perceived, rightly or wrongly, to be a very costly burden to companies. The UK does not even require it. We recommend that the external Limited Assurance requirement only be imposed at least 3 to 4 years after mandatory reporting commences. We should monitor the progress of the external assurance journey in the EU and other jurisdictions before adopting it here. This is one area that we anticipate will result in a more intensive pushback from the business community and we do not need to be a market leader in the external assurance arena. In the meantime, we can continue to make it non-mandatory and encourage its voluntary adoption.

29. Question E1.2 – In your view, what would be an appropriate timeframe to progress toward Reasonable Assurance covering:
(a) Scope 1 and Scope 2 GHG emissions;
(b) Scope 1, Scope 2 and Scope 3 GHG emissions; and
(c) the entire CRD? Please explain your rationale supported by data and analysis where available.

We do not recommend adopting a fixed timeline to transition to Reasonable Assurance and this can form another element of the review to be conducted in 2027 or later. The efficacy and effectiveness of the Limited Assurance regime would need to be thoroughly examined before taking this next step, as it is not a small one. For example, one approach can be to make external reasonable assurance mandatory only for companies with a significantly higher level of economic activities in Singapore or only for Scope 1 and 2 GHG emission levels. There is a tremendous uncertainty on the entire approach to Scope 3 at the moment and this should be carved out of any limited or reasonable assurance requirements.

RECOMMENDATION E2

External assurance should be provided by a registered climate auditor, which can be either an ACRA-registered audit firm or a SAC-accredited TIC firm*.

*SAC refers to Singapore Accreditation Council. Testing, Inspection, Certification (TIC) firms refer to third party entities that provide testing, inspection or certification services to provide assurance on the quality of products and services against regulatory or industry standards.

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30. Question E2.1(a) – Do you agree with the above recommendation?

Yes

31. Question E2.1(b) – Please state the reasons for your response.

We agree with the reasons cited by the SRAC in the Consultation Paper.

32. Question E2.2 – Please provide suggestions, if any, on what can be done to enhance the availability of registered climate auditors to support the increased demand for external assurance.

NA

RECOMMENDATION E3

Assurance is to be conducted using either:

a) A Singapore standard equivalent to International Auditing and Assurance Standards Board (IAASB)'s International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements; or
b) Singapore Standard on Greenhouse gases Part 3: Specification with guidance for the verification and validation of greenhouse gas statements (SS ISO 14064-3).

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33. Question E3.1(a) – Do you agree with the above recommendation?

Yes

34. Question E3.1(b) – Please state the reasons for your response.

Any Singapore standard should be equivalent to the international standards, much like SFRS is similar to IFRS. There needs to be global consistency.

35. Question E3.2 – What are some key differences between both standards that should be bridged to enhance consistency in audit procedures?

NA

RECOMMENDATION E4

To be registered as climate auditors, SAC-accredited TIC firms are required to meet similar requirements as ACRA-registered audit firms, except for quality management where they can obtain equivalent accreditation under ISO/IEC* 17029 Conformity assessment – General principles and requirements for validation and verification bodies.

*ISO refers to the International Organization for Standardization, and IEC refers to International Electrotechnical Commission.

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36. Question E4.1(a) – Do you agree with the above recommendation?

Yes

37. Question E4.1(b) – Please state the reasons for your response.

We agree with the reasons of the SRAC in the Consultation Paper.

38. Question E4.2 – In your views, is ISO/IEC 17029 equivalent to Singapore Standard on Quality Management 1, Quality Management for Firms that Perform Audit or Reviews of Financial Statements? If not, what are the gap(s) to be bridged?

NA

RECOMMENDATION E5

To register as a qualified signing individual, one must be able to demonstrate practical experience and meet the Continuing Professional Education (CPE) requirements such as completing a minimum of 40 hours of accredited courses in the past 12 months.

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39. Question E5.1(a) – Do you agree with the above recommendation?

We express no views here.

40. Question E5.1(b) – Please state the reasons for your response.

NA

41. Question E5.2(a) – In your view, should objective measures including hours be stipulated under the practical experience?

NA

RECOMMENDATION E6

Allow for one-off transition of professionals with applicable or adjacent competencies to be signing individuals, namely:

a) Individuals equivalent to partner level currently providing sustainability assurance services under Carbon Pricing Act 2018; and
b) ACRA-registered public accountants that have passed the recognised bridging courses.

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42. Question E6(a) – Do you agree with the above recommendation?

We express no views here.

43. Question E6(b) – Please state the reasons for your response.

NA

RECOMMENDATION F1

The existing reporting and filing timelines for financial statements in the Companies Act 1967 should be applied to CRD, together with the mechanism to apply for extension of time.

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44. Question F1(a) – Do you agree with the above recommendation?

Yes

45. Question F1(b) – Please state the reasons for your response.

It will simplify compliance procedures if there is a common timeline to report and file financial statements together with CRD with ACRA, including extensions of time applications. It will also make it easier for regulatory bodies and stakeholders to check on the companies that they are monitoring whether those companies have discharged their filing obligations.

RECOMMENDATION F2

CRD should be filed in a digital structured format to facilitate the consumption of data.

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46. Question F2(a) – Do you agree with the above recommendation?

Yes

47. Question F2(b) – Please state the reasons for your response.

We agree to follow the lead of the EU in the area of inline XBRL technology as the digital taxonomy since XBRL is familiar to all companies here as long as it complies with ISSB standards.

RECOMMENDATION F3

Listed Issuers can include CRD

a) in a separate report; or
b) as part of the annual report.

If CRD is included in a separate report, both reports must be published at the same time.

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48. Question F3(a) – Do you agree with the above recommendation?

Yes

49. Question F3(b) – Please state the reasons for your response.

We would however recommend that for companies that have adopted or applied any Limited or Reasonable Assurance, they continue to be given an extension of time to produce their CRD reports since more time will be needed to comply with the assurance processes.

RECOMMENDATION G1

The existing legal requirements related to financial reporting should be imposed on climate reporting, except for internal controls that should be encouraged.

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50. Question G1.1(a) – Do you agree with the above recommendation?

Yes.

51. Question G1.1(b) – Please state the reasons for your response.

We agree that it should not be mandated as a legal requirement for companies to devise and maintain a system of internal controls for CRD, merely encouraged to do so.

In principle, we agree with the recommendation but would appreciate clarification by the SRAC on the scope of Section 401(2) when applied to CRD.

At this stage of introduction, it is not entirely clear if the climate reporting standards prescribed in the ISSB standards (following Recommendation D1) can or should be treated in the same way as the accounting standards on financial reporting when the objectives to be achieved are dissimilar. Section 201(2) of the Companies Act requires the financial statements to "*comply with the requirements of the Accounting Standards and give a true and fair view of the financial position and performance of the company*". Under the ISSB (IFRS S2 specifically) standards, a company is required "*to disclose information about climate-related risks and opportunities that could reasonably be expected to affect the entity's cash flows, its access to finance or cost of capital over the short, medium or long term*". Unlike financial statements which are dependent on quantitative information, it appears from the IFRS S2 that CRDs are dependent on qualitative assessments which incorporate values and judgements of climate risks.

The difference above impacts the legal assessment of whether a fact is "false or misleading in any material particular" and whether the "person" knows the fact to be false or misleading under Section 401(2). In a situation where a person makes a good faith assessment about a specific CRD, and ACRA assesses that the person committed an offence under Section 401(2) for providing a false and misleading fact, it is unclear what ACRA intends to rely on in assessing that the person made a false and misleading climate risk disclosure. Unless the CRD was based on false and misleading quantitative data, it is unclear how a climate risk disclosure underpinned by a good faith qualitative assessment could amount to a false and misleading statement. We would appreciate the SRAC's clarity on this aspect.

Additionally, we would appreciate the SRAC's clarity on the specific individuals who are covered by "every person" in Section 401(2) in the context of "every person" making a "false and misleading" climate disclosure in a climate report. While Section 401(1) is restricted to "officer of the corporation" (which is further defined in Section 4(1)), Section 401(2) extends liability to individuals beyond officers of the corporation. Based on Section 401(3), liability under Section 401(2) could extend to shareholders who vote at a meeting in favour of making the statement referred to in Section 401(2). It may be prudent for the SRAC and ACRA to provide a clear or non-exhaustive definition of "person" in Section 401 so that persons who are not intended to be caught by Section 401(2) are not inadvertently investigated or prosecuted.

52. Question G1.2(a) – In terms of sanctions, should climate reporting be placed on equal footing with financial reporting at this juncture?

No.

53. Question G1.2(b) – Please explain your rationale.

The imposition of sanctions should be suspended for the first few years of post-implementation so that the market may more readily find its feet before penalties are attracted and imposed.

This will allow companies enough time to finetune their approaches and to solve teething problems with implementation as this is a whole new area for directors and management of NLCos to grapple with. It will also permit educational and training initiatives to reach more staff at all levels of the

organization and a staggered approach will enable D&O liability insurance companies and assurance brokers to develop appropriate products and premium levels suitable for the local market.

RECOMMENDATION G2

Companies not subject to mandatory reporting can voluntarily file their climate reporting if they have prepared it in accordance with the prescribed CRD. The applicable legal requirements will apply upon filing.

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54. Question G2(a) – Do you agree with the above recommendation?

Yes

55. Question G2(b) – Please state the reasons for your response.

Readers of CRD are unlikely to be aware whether the CRD issued by a company is done on a mandatory or voluntary basis. Since they would place the same reliance on the CRD, it is only sensible to implement a level playing field for mandatory and voluntary CRD.

RECOMMENDATION G3

Provide the mechanism for directors to voluntarily revise defective CRD, with the same safeguard as for financial reporting.

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56. Question G3(a) – Do you agree with the above recommendation?

Yes

57. Question G3(b) – Please state the reasons for your response.

In addition, it would be absolutely critical that similar statutory defences currently available to directors and officers under the Companies Act 1967 be available for them as regards to CRD, especially Section 157C.

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