

29 September 2023

ACRA / SGX

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The below responses will be submitted to the ACRA / SGX online system on 29 September 2023.

ASIFMA Response to ACRA / SGX on Recommendations by the Sustainability Reporting Advisory Committee (SRAC)

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RECOMMENDATION C1 –

(a) Mandate climate reporting on: (i) Listed Issuers from FY2025; and (ii) Non-Listed Companies (“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.

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

Yes

6. Question C1.1(b) – Please state the reasons for your response.

On behalf of Asia Securities Industry & Financial Markets Association (“ASIFMA”), we would like to submit our response to The Accounting and Corporate Regulatory Authority (“ACRA”) and Singapore Exchange Regulation (SGX Regco) consultation on the recommendations by the Sustainability Reporting Advisory Committee (“SRAC”) to advance climate reporting in Singapore.

We support mandatory climate reporting for listed issuers, as well as NLCos with annual revenue of at least SGD1 billion (“Large NLCos”) facilitating Singapore in realising its climate ambition and removing the potential for arbitrage between public and private markets.

Large NLCos revenue threshold: We agree in principle with a threshold requirement for NLCos. Whilst revenues may be deemed as a good proxy for emissions, it is a backward-looking metric and does not necessarily provide information regarding the direction of travel. Revenues in certain extractive sectors can also be volatile due to commodity price fluctuations. We would

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support a size threshold which incorporates several dimensions. Please refer to our response to Question C1.4(b) for comments on the preferred benchmark criteria.

We would also like SRAC to clarify if the revenue threshold is determined with reference to gross or net revenue.

Scope: We note that in the European Union, the Corporate Sustainability Reporting Directive (“**CSRD**”) exempts financial products from falling in scope of the reporting regime to prevent duplication with the Sustainable Finance Disclosure Regulation (“**SFDR**”) under Fund exemptions. Similarly, we believe financial products are not in scope of the recommendations by SRAC and it would be useful for this to be confirmed.

Additionally, the MAS is the competent authority regulating licensed financial institutions and has provided disclosure measures in its Guidelines on Environmental Risk Management for Banks and Asset Managers. We would hope that any future requirements for company-level sustainability or environmental risk reporting for incorporated companies and licensed financial institutions by the SRAC and MAS respectively will be aligned and avoid duplication of rules. At the same time, we also note sequencing concerns for financial institutions in our response to Question D2(b).

Separately, we would like the SRAC to clarify if funds in the Variable Capital Company (“**VCC**”) structure would be captured by the reporting regime, provided that the benchmark criteria are met.

- 7. 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.**

The capacity of the assurance industry also needs to be taken into account, including the Singapore Accreditation Council’s capacity to accredit assurance providers, and any intentions to licence and regulate assurance providers. Furthermore, the sequencing concerns detailed in our response to Question D2(b) should also be considered in deciding the implementation timeline.

- 8. 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.**

Subject to our response to Question C1.1(b) and C1.4(b) on the large NLCos threshold, the proposed FY2030 timeframe is appropriate for NLCos limited by shares with annual revenue of at least \$100 million or less than \$1 billion, given they are starting from a low base in terms of climate reporting. Consideration should be given to the implementation cost of mandatory reporting proportionate to revenues when determining whether this second phase threshold of \$100 million is appropriate.

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

No

- 10. Question C1.4(b) – Please state the reasons for your response.**

We acknowledge that revenue as a proxy is aligned with TCFD and the current Singapore accounting standards, however some members would prefer alignment with the approach taken in other jurisdictions (including the UK and the EU), where the benchmark criterion is based on a combination of at least two of the following criteria: (a) revenues (b) balance sheet and (c) number of employees, before companies are subjected to additional regulatory requirements.

RECOMMENDATION C2 –

NLCos will be exempted from mandatory reporting if:

- (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 climate-related disclosures (“CRD”) in Singapore or deemed equivalent; and**
- (b) its activities are included in that parent’s report, which is available for public use.**

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

Yes

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

Exempting NLCos that are subsidiaries from mandatory reporting will limit unnecessary and costly duplication of reporting.

13. 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?

No

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

Many of our members believe that an additional GHG disclosure requirement for subsidiaries would defeat the purpose of the broader exemption provided in Recommendation C2, being costly and time consuming to disaggregate.

On the other hand, there may be merits for investee companies to disaggregate certain information such as GHG emissions from parent company data, if deemed decision-useful for stakeholders. For example, in the case of a conglomerate, material deviations may exist between core activities of the members of the group such that their GHG emissions could be significantly different. As such, our asset management members would suggest that where a NLCos’ activities are included in the parent’s report, and to the extent that parent reporting does already disaggregate *material* GHG emissions, then there would not be further obligations, whilst the adoption of a comply-or-explain regime would be appropriate at the point when material GHG emissions disclosures of subsidiaries of a foreign parent could be practically and cost-effectively obtained.

RECOMMENDATION C3 – The revenue threshold for NLCos should be measured using company-level financials,

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

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

Yes

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

We agree with the revenue threshold measurement considerations subject to our response to Question C1.1(b) and C1.4(b). Alignment with prescribed accounting standards in Singapore ensures consistency.

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.***

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

Yes

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

We believe this approach is reasonable as it takes short-term fluctuations in performance for those companies near the threshold into account.

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

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

Yes

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

We support the adoption of ISSB Standards around the world which sets an international baseline in reporting, providing decision-useful information for investors, and aiding comparability across jurisdictions.

We note that SRAC recommends introducing the ISSB Standards as baseline requirements, whilst initially focusing on climate reporting. We suggest the explicit articulation of IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information in the Singapore disclosure regime at first instance as it provides an important implementation framework, serving as a 'rulebook' for how to disclose and use the ISSB standards including the materiality overlay. We encourage SRAC to align the Singapore CRD framework to the whole of the ISSB framework, including continued development of industry-specific guidance and future non-climate reporting as indicated by ISSB's proposed agenda priorities. For our asset manager members, it is also important to understand nature and biodiversity, diversity, remuneration, and labour practices at investee companies, such that certain non-climate items should be incorporated into prescribed disclosures.

Materiality: Many members support the investor-focused financial materiality concept in the ISSB standards and see it as an important element of setting a truly global baseline, and hence suggest that ACRA/SGX adopt the general disclosure requirements as laid out in IFRS S1. Most importantly, S1 clarifies that the ISSB is focused on meeting the information needs of investors and uses the same definition of ‘material’ that is used in the IFRS Accounting Standards. The investor-focused materiality approach is important to retain given it provides the necessary flexibility for companies to report only the information that is relevant to their investors and aligns the standards with broader IFRS reporting practices. Some asset manager members do note however that they subject to double materiality requirements in the EU and would like the ability to report against this in other locations.

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.**

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

Yes

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

Our members support the transition relief measures in the ISSB standards. By aligning with the transition reliefs in the ISSB Standards, this would help to reduce fragmentation in the region and globally. It would also ensure Singapore’s competitiveness in attracting international investors.

Sequencing concerns: As defined by GHG protocol, Scope 3 – Investment / financed emissions represents the Scope 1 and 2 emissions of investees / counter-party / clients and as such is reliant on such companies’ reporting. We would like the SRAC to provide guidance on what constitutes Scope 3 emissions from a financial institution’s perspective. For example, if a financial institution is expected to aggregate Scope 1 and 2 emissions from the invested assets of the funds under its management / lending portfolio, as part of scope 3 reporting, and since the recommendations will adopt a phased implementation, it may create a timing mismatch for the financial institution’s reporting of scope 3 emissions. A financial institution subject to an earlier mandatory requirements phase would not be able to rely on the reports of investee / client companies that are not required to make this disclosure until two years after mandatory reporting requirements take effect. We would like SRAC to clarify how the reporting entity can resolve this timing mismatch issue if it happens. We encourage SRAC to consider the sequence of reporting to ensure data availability and quality of reporting for disclosures.

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.

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

Yes

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

This is decision useful for comparing companies across jurisdictions.

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.***

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

Yes

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

We believe that assurance standards should first be globally aligned before assurances are required. We therefore agree on the basis that the timeline published by IOSCO-endorsed International Auditing and Assurance Standards Board (IAASB) will be followed, such that the assurance standards relevant to sustainability-related disclosures will be approved by 2024.

We suggest that ACRA observes international developments and extend the timelines for Recommendation E1 should there be any delays with the IAASB timeline.

27. 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.

ACRA should make reference to international developments.

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.

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

Yes

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

External assurance together with proper accreditation of assurers are both important to ensure the quality of climate reporting for supporting investment decisions and satisfying reporting obligations at the product / funds and asset manager levels.

30. 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.

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).**

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

Yes

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

We agree that any Singapore standard should closely mirror ISSA 5000. As IAASB has only just launched public consultation on its ISSA 5000, we think ACRA should wait for this standard to be finalised.

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

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.

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

[Yes/ No – we do not need to answer all questions]

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

36. 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?

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.

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

[Yes/No]

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

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

[Yes/No]

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.**

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

Yes

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

This appears to allow a reasonable balance between ensuring the competence and availability of a ready pool of signing individuals.

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.

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

Yes

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

Alignment with existing timelines for financial statements allows sufficient time for relevant stakeholders to concurrently review both CRD and financial reporting in order to make informed decisions.

RECOMMENDATION F2 – CRD should be filed in a digital structured format to facilitate the consumption of data.

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

Yes

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

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.

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

Yes

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

We recognise that the majority of listed issuers opt to issue a separate report and agree that at a minimum, both reports must be published at the same time. However, we believe this makes it difficult for users to locate and access information related to climate and/or sustainability. Given financial implications associated with climate change, it will be important that CRD can easily be linked to balance sheet, cashflow and/or profit and loss statement. Ensuring that CRD

is embedded within the annual report will also help ensure that the CRD is kept up-to-date in line with the company's positioning, strategy and finance.

RECOMMENDATION G1 – The existing legal requirements related to financial reporting should be imposed on climate reporting, except for internal controls that should be encouraged.

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

Yes

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

We encourage SARC to adopt a liability framework that provides meaningful protection from legal liability for disclosures provided in good faith whilst standards continue to evolve. This is particularly in relation to estimating Scope 3 emissions and producing scenario analysis, which include forward-looking information. Liability should be commensurate with the nascent nature of climate-related disclosures, that is, to encourage rather than discourage higher quality disclosures. Adoption of safe harbours will encourage companies to provide decision-useful information, including emissions estimates and estimated sustainability metrics, on a best-efforts basis which will ultimately improve the overall quality of disclosures.

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

No

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

Please refer to our response to Question G1.1(b)

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.

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

Yes

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

We agree that this avoids greenwashing in the guise of voluntary reporting.

RECOMMENDATION G3 – Provide the mechanism for directors to voluntarily revise defective CRD, with the same safeguard as for financial reporting.

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

Yes

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

[Do we agree that this is better for encouraging better disclosure]

56. Please attach any document that would support your responses above.