



THE FUNCTION AND FORM OF CLIMATE-RELATED DISCLOSURES

A COMPARATIVE CASE STUDY OF SINGAPORE AND THE UNITED KINGDOM

STRUCTURE

- *Why* should companies disclose?
- What are climate-related disclosures (CRD)?
- Problems with CRD
- The way forward – **SG** vs **UK**
 - Mandatory?
 - *Which companies* must disclose?
 - *What* to disclose?
 - *How* to disclose?



WHAT ARE CLIMATE-RELATED DISCLOSURES (CRD)?



WHY SHOULD COMPANIES DISCLOSE INFORMATION?

WHY DISCLOSE?

- Paris Agreement
 - “urgent threat”
 - “effective and progressive response”
 - “sustainable lifestyles and patterns of consumption”
- Net-zero transition
- Decarbonisation of the economy

WHY DISCLOSE?

- Self-assess
- Publicly declare/report
- Areas of improvement

- Public awareness
- Rise of responsible / impact investing



PROBLEMS WITH CRD

PROBLEMS

- Shareholder wealth maximisation vs stakeholderism
 - Financial / commercial roots of disclosure
- Proliferation of private-set standards
- Low quality of CRD
- Poor data comparability



A COMPARATIVE STUDY OF
SINGAPORE AND UK

MOVING FORWARD

SIGNIFICANCE

- Momentum is unlikely to cease.
- Climate ambitions will likely (and should) keep growing.
- COP26 2021: International Sustainability Standards Board (ISSB)

Therefore,

- Early alignment = gradual transition, reducing risks
- Increase standardisation and uptake
- “Green” or “sustainable” finance as a broader agenda



Sensible reasons to start

IFRS

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International Sustainability Standards Board

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About the International Sustainability Standards Board

International investors with global investment portfolios are increasingly calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance (ESG) matters.

On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the International Sustainability Standards Board (ISSB)—to help meet this demand.

The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions.

THE COMPARATIVE STUDY

SG vs **UK**

- Securities Listing Rules
- Voluntary vs **Mandatory**
- *Which companies* must disclose?
- *What* should companies disclose?
- *How* should companies disclose?

CRD IN SINGAPORE

- The Singapore Exchange (SGX)
- TCFD and Thomson Reuters Sector Classification

Milestones

- December 2021: mandatory reporting announced
- January 2022: takes effect (comply-or-explain)
- 2023: Financial; Agriculture, Food and Forest Products; and Energy
- 2024: Materials and Buildings; and Transportation



CRD IN **SINGAPORE**: SCOPE

- A **phased, progressive** approach
- First year minimums
 - Material ESG factors
 - Policies and/or practices to address them
 - Progressive targets towards maturity
 - “Do your best”
- TCFD
 - Governance
 - Risks and opportunities
 - Processes involved
 - Scope 1 and 2 GHG emissions



CRD IN SINGAPORE: SCOPE

- CRD is a **primary component** of sustainability reports [Mainboard Rule 711B(1)(aa)]
 - CRD = MATERIAL (generally)
- TCFD must be used for general and sector-specific issues
 - Governance
 - Risks and opportunities
 - Processes involved
 - Scope 1 and 2 GHG emissions
- Internationally accepted GHG accounting system [SGX Sustainability Reporting Guide Paragraph 4.14]



CRD IN UK

- UK Financial Conduct Authority (FCA)
- Comply or explain
 - December 2020: listing rules enhanced for Premium Listed issuers
 - December 2021: listing rules enhanced for Standard Listed issuers
- Intention to make mandatory
 - Premature?
 - Increases issuers' costs?
 - Market confusion?



CRD IN UK: SCOPE

- Annual financial reports
- Consistent with TCFD
- Required to assess their disclosures in detail

Note: UK's broader ambitions to become a sustainable economy.



COMPARATIVE EVALUATION: SCOPE

Some hints of TCFD harmonisation

- Incorporated to a large extent
- Unadulterated → demonstrates commitment to a global baseline
- Strengthens TCFD as a global convergence point
- Clearer and more unified application on the ground

MATERIALITY

- Companies need only disclose **material** information
- No standard definition, no official baseline list, no consensus.
- Financial vs environmental/climate materiality?

TCFD's solution: Scope 1 and 2 are material and must be reported; Scope 3 is recommended but not necessary.

But even then...

CRD IN **SINGAPORE**: MATERIALITY

“the most important **ESG risks and opportunities** that will act as **barriers or enablers** to achieving **business goals** in short, medium and long term, [the omission or misstatement of which] **could influence the decisions of investors.**”



CRD IN SINGAPORE: MATERIALITY

““The issuer should review its business in the context of the value chain and determine what ESG factors in relation to its interaction with its **physical environment** and **social community** and its **governance**, are material **for the continuity of its business**. The issuer is expected to report the criteria and process by which it has made its selection with reference to **how these factors contribute to the *creation of value for the issuer.***”



CRD IN **SINGAPORE**: MATERIALITY

Issuers must “first satisfy [themselves] of the **relevance** of selected factors **to its business strategy and outcomes**”



CRD IN SINGAPORE: MATERIALITY

Public ESG data portal (in development)

- A “one-stop-shop”
- Streamlines and standardises ESG/climate disclosures
- Provides guidance
- Individual ESG metrics
- Generate sustainability reports – increasing efficiency while reducing / standardising costs



CRD IN UK: MATERIALITY

- No concrete guidance or list issued by FCA
- Aligns with TCFD and other important sources of guidance (e.g., Financial Reporting Council)



CRD IN UK: MATERIALITY

“In considering **whether their procedures, systems and controls are adequate** to enable them **to comply with their obligations** under these various regimes, including **the timely and accurate disclosure of information** to the market, an issuer should consider whether there is a **need to access and draw on specific data sources** when disclosing climate-related and other ESG-related risks and opportunities.”



CRD IN UK: MATERIALITY

“This recognises that the **appropriate consideration of climate-related and other ESG-related matters** may require that an issuer **accesses data sources that, unlike other indicators of organisational performance, may not typically be used for other business purposes.** Furthermore, such data may need to be **assessed and analysed using bespoke techniques.**”



COMPARATIVE EVALUATION: MATERIALITY

- Companies need only disclose **material** information
- No standard definition, no official baseline list, no consensus.
- Financial / commercial framing



CONCLUSIONS



THANK YOU