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Unlocking ESG Reporting Requirements in Singapore

Introduction

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In Singapore, Environmental, Social, and Governance (ESG) reporting is increasingly vital as businesses recognize the necessity of addressing sustainability concerns and meeting stakeholder expectations. The Singapore Exchange (SGX) mandates all listed companies to disclose their sustainability practices and performance in their annual reports through a "comply or explain" approach.

The SGX provides guidelines through its Sustainability Reporting Guide, often leveraging the Global Reporting Initiative (GRI) Standards as a framework. Additionally, companies are urged to adopt Task Force on Climate-related Financial Disclosures (TCFD) recommendations to disclose climate-related risks.

The core of Singapore's ESG strategy is the Green Plan 2030. The roadmap aims to advance the city-state's national sustainable development by 2030. As such, sustainable practices ensure that a business can continue to operate over the long term by conserving resources, reducing waste, and minimizing environmental impact.

In this latest issue of ASEAN Briefing, we dive into the regulatory requirements of ESG reporting in Singapore before describing what needs to be included in an ESG report. Finally, we discuss the ESG core metrics within an ESG framework.

With offices located across Southeast Asia and years of experience helping foreign enterprises set up operations in Asia, Dezan Shira & Associates is well positioned to assist your company in entering ASEAN markets. For more information, please email us at **asean@dezshira.com**.

With kind regards,

Alberto Vettoretti

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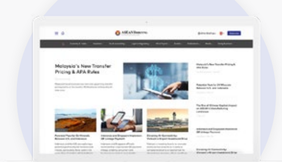

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Navigating ESG Reporting in Singapore

Sustainability reporting in Singapore has evolved since the early 2000s, with the SGX mandating all listed companies to publish annual sustainability reports since 2016.

Ayman Falak Medina
Deputy Editor, ASEAN Briefing
Author

Sustainability reporting in Singapore has evolved since the turn of the millennium, with provisions for reporting by Singapore-based companies gradually increasing.

Since 2016, the Singapore Exchange (SGX) has made it mandatory for all listed companies to disclose and publish an annual sustainability report. These reports are intended to complement the financial reports issued by listed companies and thus show how environmental, social, and governance (ESG) risks and opportunities are being managed.

The ESG reports were initially made mandatory for businesses engaging in the financial, agriculture, energy, food, and forest products industries. However, from 2024 onwards, this policy now extends to the building materials and transportation industries.

Southeast Asia is one of the most vulnerable regions to climate change and faces numerous challenges from rising sea levels to droughts and heatwaves. While the emphasis on ESG factors for businesses in Southeast Asia is still in its early stages compared to global markets, there is growing awareness and adoption of ESG-related policies among regional governments.

On its part, Singapore is trying to cement its status as a hub for enterprises that prioritize ESG targets, thereby encouraging capital inflows towards sustainable projects.

Understanding the regulatory landscape

Green Finance Action Plan

The Green Finance Action Plan (GFAP) was launched by the Monetary Authority of Singapore (MAS) in 2019 with the ultimate objective to develop Singapore as a hub for green finance.

This will be accomplished by enhancing the financial sector's resilience to environmental risks, developing financial solutions and markets, leveraging technology to facilitate sustainable financial flows, and enhancing capabilities in sustainable finance.

Singapore Sustainable Finance Association

A new association launched in January 2024, the Singapore Sustainable Finance Association (SSFA) aims to develop the local talent pool and industry standards needed to enhance the city-state's position as a leading center for sustainable finance.

SSFA can lead the way in industry best practices such as transition finance or carbon credit trading. Further, the association can bring together financial institutions to address barriers that hinder the financing of sustainability projects.

International Sustainability Standards Board and developments for 2025

The SGX has mandated that starting from financial year 2025, all listed companies in Singapore will have to produce climate related disclosures. Such disclosures must be done based on local reporting standards that are aligned with the standards issued by the International Sustainability Standard Board (ISSB).

The new regulation also applies to non-listed companies valued at more than S$1bn (US$744 million) and with total assets of at least S$500 million (US$371 million) from financial year 2027. Further, under the new rules, listed companies and large non-listed companies will be required to obtain independent verification on their scope 1 and 2 emissions. This will take effect two years after the mandatory reporting requirements begin.

Scope 1 emissions are the company's direct emissions such as from company vehicles or manufacturing facilities, while Scope 2 emissions are those that are indirectly generated from the purchase of electricity.

Environmental risk management

To enhance the resilience of financial institutions to environmental risk, the Monetary Authority of Singapore (MAS) introduced its guidelines on environmental risk management in 2020. The guidelines apply to fund management companies registered in Singapore in addition to holders of capital markets license for fund management and real estate investment trust management.

Financial institutions are expected to incorporate environmental considerations into their business strategies and product offerings. This is in line with the recommendations set out by the Taskforce on Nature-related Financial Disclosures (TNFD) on environmental considerations issued in 2023. Some 320 organizations from over 40 countries have committed to making nature-related disclosures based on the TNFD recommendations.

The Centre for Nature-based Climate Solutions at the National University of Singapore became a TNFD knowledge partner mid-2022.

MAS' new platform for ESG data collection

The Monetary Authority of Singapore launched a new digital platform called Gprnt (pronounced as Greenprint), which aims to simplify how the financial sector can collect, access, and act upon environmental, social, and governance data.

Grnpt will also play a pivotal role in facilitating the seamless exchange of ESG data between the financial sector and the real economy, leveraging access to comprehensive global and sector-specific data platforms.

What are the key functionalities of Gprnt?

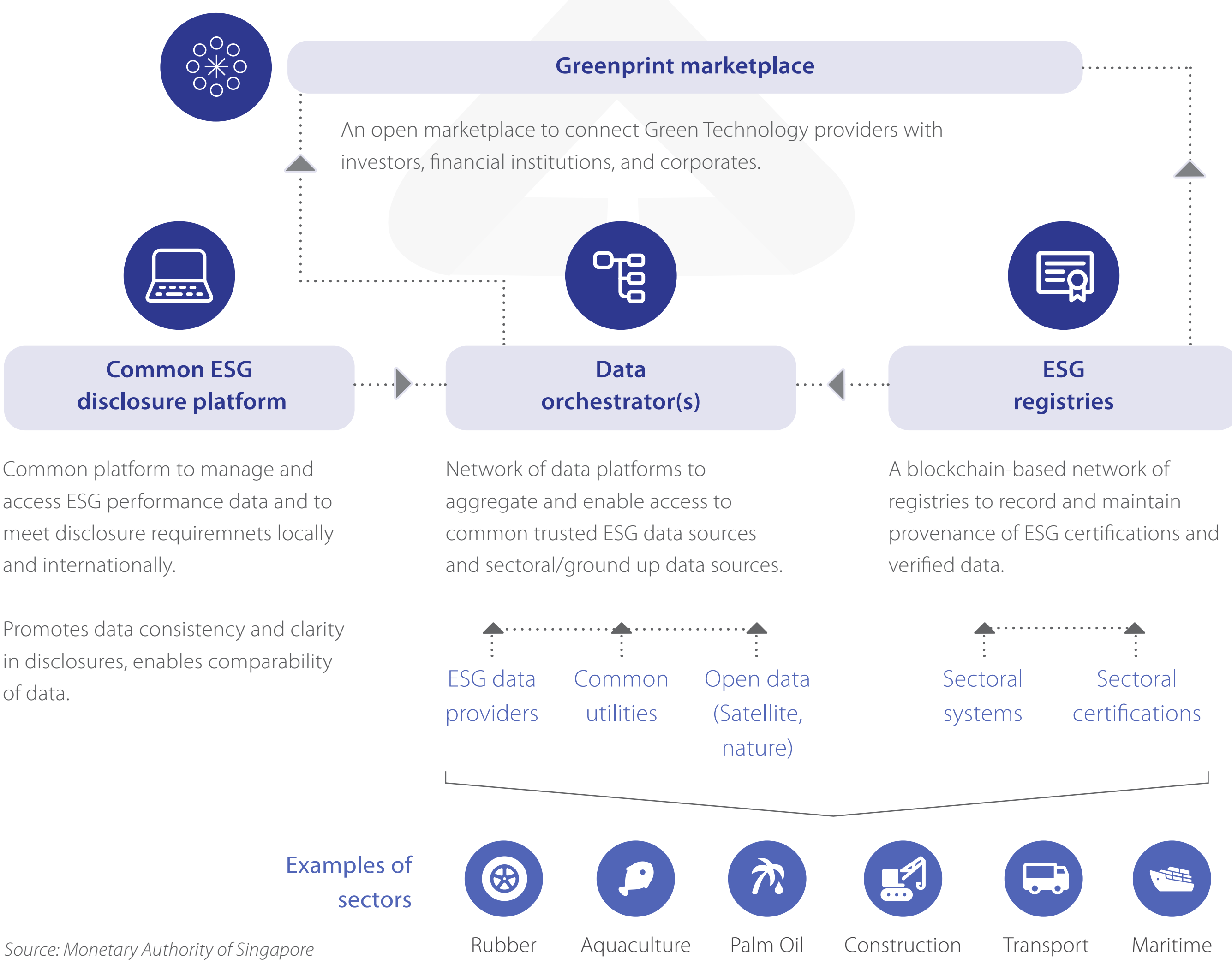
Gprnt facilitates businesses in automating their ESG reporting processes. It integrates seamlessly with the digital infrastructure utilized by businesses in their day-to-day operations, including bookkeeping systems, payment gateways, and artificial intelligence networks. Through this integration, businesses can authorize the release of data via application programming interfaces (APIs), allowing Gprnt to compute their sustainability metrics efficiently.

Gprnt processes source data into ESG-related outputs for business reports and corporate references. Leveraging intelligent document processing, the platform extracts data from files uploaded by users.

Consequently, Gprnt streamlines the mapping of sustainability metrics across key global reporting standards, automatically generates fundamental sustainability reports for businesses, and helps mitigate corporate costs.

Notably, Gprnt is fully equipped to support the ESG reporting needs of small and medium enterprises (SMEs).

GREENPRINT PLATFORMS



Source: Monetary Authority of Singapore

What to Include in the Sustainability Report

The mandatory sustainability report for listed companies in Singapore encompasses key components, such as material ESG factors, climate-related disclosures, policies, as well as adherence to a sustainability reporting framework.

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The sustainability report must include the following components:

1. Material ESG factors;
2. Climate-related disclosures;
3. Policies, practices, performances, and targets;
4. Sustainability reporting framework; and
5. Board statement and governance structure for sustainability practices.

Material ESG factors

The company should review the ESG factors concerning the business value chain and its interaction with the physical environment and social community. The company must review what ESG factors significantly impact business continuity, i.e. the steps involved in creating a product or service.

Climate-related disclosures

The business should provide climate-related disclosures that are in line with the recommendations from the Task Force on Climate-Related Financial Disclosures (TCFD). These disclosures are the climate-related risks and opportunities that can impact the company's financial performance.

The TCFD has issued both sector-specific and general guidelines on implementing their recommendations.

Policies, performance, practices and targets

The company should outline its targets, performance, and practices related to ESG factors in the sustainability report.

Targets should be set for short-, medium-, and long-term timeframes. Company policies related to ESG factors should provide descriptive and quantitative information about the company's performance in these areas during the reporting period.

Sustainability and reporting framework

The business should select a suitable sustainability reporting framework tailored to its industry and business model.

The business should choose a reporting standard that is internationally recognized as it enables easier comparisons with peer companies either in Singapore or worldwide.

When choosing a framework, businesses should consider the following key aspects:

1. Stakeholder expectations;
2. Location & regulatory requirements;
3. Preference of sector;
4. Impact potential; and
5. Framework coverage.

Once a framework is chosen, the business should maintain consistency in adhering to that framework from year to year, as it helps the business to improve its reporting practices.

Board statement

The Board of Directors will play a critical role in overseeing the sustainability issues within the company.

The board is tasked with identifying the ESG factors that are significant to the company's business and is responsible for managing and monitoring these ESG factors.

Overall, this guidance emphasizes the Board's vital role in considering sustainability as an integral part of the company's strategy and success.

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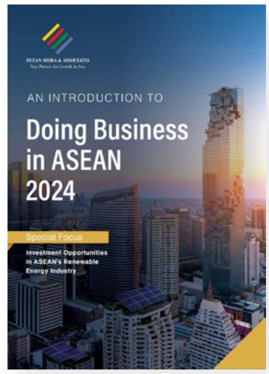

An Introduction to Doing Business in ASEAN 2024" serves as a valuable resource for C-suite executives and senior management seeking to understand the opportunities and challenges of investing in the dynamic ASEAN region and devising informed business strategies to drive growth and success.

This Doing Business Guide covers the following areas:

- Corporate establishment
- Tax and accounting
- Human resources and payroll
- Audit and compliance

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Understanding the Core ESG Metrics

Businesses should note that the SGX recommends a set of 27 core ESG metrics for sustainability reporting, which are subject to periodic review and revision to stay aligned with evolving international reporting standards.

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Environmental, social, and governance metrics quantify a company's commitments to ESG. They help measure the impact of ESG initiatives more scientifically and provide insight into how a company compares to others.

While there are no universal ESG metrics, organizations such as the World Economic Forum are working towards developing a universal standard.

The Singapore Exchange (SGX) recommends a set of 27 core ESG metrics for issuers to begin their sustainability reporting, aiming for standardized ESG information. These metrics are subject to periodic review and revision to stay aligned with evolving international reporting standards.

ESG frameworks

There are multiple ESG frameworks that businesses can adhere to. Some of the major frameworks are:

- Future-Fit Business Benchmark;
- World Economic Forum;
- The Task Force on Climate-related Financial Disclosures;
- Global Reporting Initiative (GRI);
- Carbon Disclosure Project (CDP);
- Sustainability Accounting Standards Board (SASB);
- Climate Disclosure Standards Board (CDSB);
- International Integrated Reporting Council (IIRC);
- International Sustainability Standards Board (ISSB); and
- EU Corporate Sustainability Reporting Directive (EU CSRD).

What framework a business chooses will determine the ESG metrics that they need to consider. Further, the nature of the metrics will be different as some can be quantified in percentages and numbers while others are simple yes/no options.

The World Economic Forum has published a set of 21 core and 34 expanded metrics and disclosures focused on four themes: People, Planet, Prosperity, and Principles of Governance. These metrics and disclosures reflect a consultation process with more than 200 companies, investors, and other interested parties.

Examples of SGX- specific ESG metrics

Environmental metrics

Greenhouse gas emissions: This metric measures the total emissions of carbon dioxide and other greenhouse gases (GHGs) produced by a company's operations, usually reported in carbon dioxide equivalent (CO2e) units.

It helps assess the company's contribution to climate change. It is often broken down into:

1. Scope 1 (direct emissions from owned or controlled sources);
2. Scope 2 (indirect emissions from the generation of purchased energy); and
3. Scope 3 (all other indirect emissions that occur in a company's value chain).

Energy consumption: This metric quantifies a company's total energy in its operations, typically reported in kilowatt-hours (kWh) or joules. It encompasses energy sourced from both renewable and non-renewable resources. Lower energy consumption, particularly from renewable sources, indicates higher efficiency and a smaller environmental footprint.

Water consumption: This involves measuring the total water consumption in megalitres or cubic meters within an organization.

Waste generation: This refers to the total weight of waste generated in metric tons within an organization. This includes calculating hazardous vs non-hazardous and recycled vs non-recycled waste.

Social metrics

Diversity and inclusion percentages: Diversity metrics focus on the representation of different

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Finally, we highlight the incentives available to foreign businesses for innovation, research, and capacity upgrades.

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groups (e.g., gender, race, ethnicity, age, sexual orientation, and disability) within the company. High levels of diversity and inclusion are associated with better innovation, decision-making, and employee satisfaction.

Development and training: This metric evaluates the average training hours per employee over a reporting period by gender.

Age-based diversity: This metric can measure the percentage of existing employees by age group, or the percentage of new employee hires and turnover during a specific reporting period.

Occupational health and safety: This includes reporting the number of fatalities because of work-related injury during a reporting period across an organization. The scope of the report should cover both employees and workers who may not be full-time or permanent staff but whose work is controlled by the organization. Further, the metrics can also measure the number of high-consequence work-related injuries. These are injuries that result in a fatality and from which the worker cannot recover from their re-injury status within six months.

Governance metrics

Board composition: The metric covers the number of independent board directors as a percentage of all directors or can also measure the number of female board directors as a percentage of all directors.

Management diversity: This includes reporting on number of female senior management members as a percentage of senior management.

Certifications: Every organization defines which certifications are relevant to be reported e.g. ISO 45000, BCA Green Building, Energy Star.

Assurance: This metric focuses on the company's ability to disclose whether a sustainability report has been undertaken:

- External independent assurance;
- Internal independent assurance; or
- No assurance.

The organization needs to provide the scope of the assurance if it has undertaken external or internal assurance.

Alignment with frameworks: The business needs to ensure that its sustainability reports are aligned with globally recognized international frameworks. If the business is applying only a portion of the framework, then they need to provide a description of the extent of the application in the sustainability report.

SGX ESG Indices

SGX provides sustainability-focused indices for investors aiming to integrate sustainability factors into their investment strategies, allowing institutional investors to benchmark performance. All index solutions are offered through SGX Indices franchise of the SGX Group. SGX Indices consists of two index providers: SGX Index Edge (iEdge) and Scientific Beta.