Transparency in focus

State of climate reporting in Singapore

Building a better working world

CPA AUSTRALIA

Contents

EY, with the support of CPA Australia, embarked on this study to gain an overview of the current state of Singapore-listed companies' climate reporting based on their sustainability reports for FY 2022.

Foreword

Climate change is one of the most critical crises of our time, affecting human lives, the global economy and the business landscape. Rising temperatures and sea levels, crop failures and supply chain disruptions have galvanized governments across the world to undertake climate action, including setting net-zero goals and implementing regulatory measures such as the imposition of carbon taxes.

The business community has responded in earnest, albeit at varying paces reflective of the global reach, size and nature of individual companies. Lenders and investors are evaluating the risks posed by climate-related factors with investing and lending decisions being calibrated accordingly. Companies vulnerable to climate risks may encounter challenges in securing financing while others with strong environmental performance and robust climate strategies may have better access to capital and lower borrowing costs.

Investors are in turn demanding more comprehensive information from companies to help them understand how climate change events and heightened regulatory requirements are impacting businesses and their related financial implications, as well as how companies are adapting to these unavoidable changes. With the increased public awareness of climate change issues, investors will continue to expect more climate-related disclosures from companies to make informed investment decisions.

In 2017, the Task Force on Climate-related Financial Disclosures (TCFD) published a set of disclosure recommendations for climate risks and opportunities to guide companies in climate-related disclosures, which has seen increasing adoption among reporting organizations globally. In another notable development in corporate reporting, the International Sustainability Standards Board (ISSB) was formed on 3 November 2021 with the goal of developing sustainability standards focused on the needs of investors and the financial markets. In June 2023, the ISSB issued its first two IFRS Sustainability Disclosure Standards, IFRS S1 and IFRS S2. IFRS S2 *Climate-related Disclosures* is the ISSB's first topic-based standard and requires an entity to provide information about its exposure to climate-related risks and opportunities. IFRS S1 and IFRS S2 are effective from 1 January 2024 but it will be left to individual jurisdictions to decide whether and when to adopt into their own mandatory reporting regime. IFRS S1 and S2 are likely to be integrated into Singapore's reporting framework in the near future, and IFRS S2 aligns with the recommendations of TCFD. This means that issuers that are already prepared for TCFD implementation will be able to have a smoother transition to IFRS S2 reporting once it becomes mandatory in Singapore.

Based on data collected from the sustainability reports of Singapore Exchange (SGX)-listed companies with the financial year ended 31 December 2022, this report aims to provide insights into the state of climate reporting in Singapore as well as present areas of improvement in climate reporting practices.

> "Given the urgency of addressing climate challenges, the need for credible and transparent climate reporting is now more crucial than ever. Robust climate disclosures provide sophisticated insights into both material risks and value opportunity, and help organizations transform and accelerate their decarbonization journey.

Liew Nam Soon
EY Asean Regional Managing Partner;
EY Singapore and Brunei Managing Partner

Executive summary

The SGX introduced requirements for issuers to incorporate climate-related disclosures based on the recommendations of the TCFD in 2021. Commencing from financial year (FY) 2022, all issuers are required to include climate reporting in their sustainability reports on a "comply or explain" basis. Subsequently, commencing from FY 2023 and FY 2024, certain industries are mandated to incorporate climate-related disclosures in their sustainability reports.

This report aims to provide an overview of the current state of climate reporting in Singapore. Our analysis scoped in all SGX-listed companies with a financial year-end of 31 December 2022, and whose sustainability reports were issued on or before 31 May 2023. Specifically, we looked at 370 issuers' sustainability reports that were published as at 31 May 2023. From this population, we excluded 130 issuers that have not reported climate-related disclosures. Our analysis focused on assessing the climate-related disclosures of the 240 issuers that have commenced their climate reporting efforts.

Our analysis revealed the following key findings:

- 65% of the issuers in our study have commenced their climate-related disclosures in FY 2022. Many issuers slated for FY 2023 mandatory reporting have initiated their climate-related disclosures in the current year. Specifically, 77% of the issuers in the agriculture, food and forest products industry, 88% in the energy industry and 75% in the financial industry began climate-related disclosures reporting in FY 2022.
- Of the 130 issuers that have not commenced climate-related disclosures, 46% did not make any mention of plans to comply, 25% stated that they will aim to comply in the future, and 29% committed to either comply by next year or the following year.
- Large-cap[1] (76%) and mid-cap issuers (81%) have taken the lead in making climate-related disclosures, setting an example for others to follow.
- 10% of the issuers sought external assurance, with three issuers incorporating climate-related disclosures as part of their external assurance review process.

1 For the purpose of this report, large-cap refers to issuers with a market capitalization of S$1 billion and above, mid-cap refers to issuers with a market capitalization of S$300 million to less than S$1 billion, and small-cap refers to issuers with a market capitalization of less than S$300 million as at 31 December 2022.

98%

of the issuers disclosed the board's oversight of climate-related risks and opportunities.

79%

of the issuers discussed about climate-related risks while only 47% discussed about climate-related opportunities.

68%

of the issuers have yet to commence scenario analysis on the impact of climate change.

- 98% of the issuers disclosed the board's oversight of climate-related risks and opportunities.
- 79% of the issuers discussed climate-related risks while only 47% discussed climate-related opportunities.
- 68% of the issuers have yet to commence scenario analysis[2] on the impact of climate change.
- The board discussed climate-related considerations in various matters, with the highest level of discussion in the areas of strategy (70%) and performance objectives, monitoring implementation and performance. Board discussions on climate-related considerations were comparatively lower in the area of annual budgets (6%).
- 59% of the issuers set targets used to manage climate-related risks and opportunities. However, it is noteworthy that a considerable number disclosed qualitative targets at a higher level, such as "maintain or reduce".

Despite the issuers' diverse approaches to climate disclosures, the study has identified five areas of improvement that are relevant and applicable to all issuers:

1. Engage with stakeholders proactively in preparation for new climate reporting requirements.
2. Strengthen understanding and assessment of the financial impact of climate-related risks and explore climate-related opportunities for long-term resilience.
3. Leverage scenario analysis for better assessment of climate-related risks and opportunities.
4. Embed climate change considerations into budgeting and strategic planning process.
5. Set meaningful quantitative targets to track performance.

2 Scenario analysis is defined by the TCFD as a process for identifying and assessing a potential range of outcomes of future events under conditions of uncertainty. In the case of climate change, for example, scenarios allow an organization to explore and develop an understanding of how the physical and transition risks of climate change may impact its businesses, strategies and financial performance over time. This definition is extracted from *Task Force on Climate-related Financial Disclosures: Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*.

1

Climate-related reporting requirements in Singapore

In 2021, the SGX announced its plan for issuers to incorporate climate-related disclosures based on the recommendations of the TCFD.

The TCFD recommendations are structured around four core thematic areas of governance, strategy, risk management, and metrics and targets. The four overarching recommendations are supported by key climate-related financial disclosures — referred to as recommended disclosures — that build out the framework with information that will help investors and others understand how reporting organizations assess climate-related issues.

Figure 1

TCFD recommendations and supporting recommended disclosures[3]

Governance	Strategy	Risk management	Metrics and targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended disclosures			
a. Describe the board's oversight of climate-related risks and opportunities.	a. Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.	a. Describe the organization's processes for identifying and assessing climate-related risks.	a. Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b. Describe management's role in assessing and managing climate-related risks and opportunities.	b. Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.	b. Describe the organization's processes for managing climate-related risks.	b. Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c. Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	c. Describe how processes for identifying, assessing and managing climate-related risks are integrated into the organization's overall risk management.	c. Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

3 Task Force on Climate-related Financial Disclosures. *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, Financial Stability Board, 2021.

Effective from FY 2022, all issuers are required to include climate reporting in their sustainability report on a "comply or explain" basis. Thereafter, commencing from FY 2023, climate reporting will be mandatory for issuers in the (1) financial, (2) agriculture, food and forest products, and (3) energy industries. Issuers in the (4) materials and buildings, and the (5) transportation industries will be required to do the same starting from FY 2024.

Climate reporting is an iterative process and issuers require time to develop and improve the related disclosures. In this respect, the SGX allows a phased implementation approach over a three-year period as described in the Sustainability Reporting Guide[4] under the SGX Rulebooks. In its Sustainability Reporting Guide, the SGX noted that the Sustainable Stock Exchanges initiative has developed a checklist in its model guidance (SSE Model Guidance) for implementing the TCFD recommendations. Issuers are encouraged to use the checklist in the SSE Model Guidance to determine whether the information recommended for disclosure by the TCFD is contained in their sustainability report.

It is noteworthy that for issuers mandated for climate reporting in FY 2023 (FY 2023 mandated issuers), they are required to fully comply with the TCFD recommendations in their FY 2023 sustainability report to be published in 2024. Likewise, issuers mandated for climate reporting in FY 2024 (FY 2024 mandated issuers) are required to achieve full compliance with the TCFD recommendations by 2025 when their FY 2024 sustainability reports are to be published.

These requirements are designed to enhance transparency and encourage issuers to disclose their climate-related risks and opportunities, while aligning with global best practices for addressing climate change and its financial implications.

"

The market recognizes that climate reporting is important as a first step towards efforts to mitigate the effects of climate change. Decision-makers also want climate information when they allocate assets, extend financing and price risks. These factors make climate reporting most urgent for industries with the biggest impact.[5]

Tan Boon Gin
Chief Executive Officer of Singapore Exchange Regulation

4 SGX. (2016). *Mainboard Rules: Practice Note 7.6 Sustainability Reporting Guide*. Retrieved from https://rulebook.sgx.com/rulebook/practice-note-76-sustainability-reporting-guide

SGX. (2016). *Catalist Rules: Practice Note 7F Sustainability Reporting Guide*. Retrieved from https://rulebook.sgx.com/rulebook/practice-note-7f-sustainability-reporting-guide

5 "SGX mandates climate and board diversity disclosures," SGX, 15 December 2021. https://www.sgxgroup.com/media-centre/20211215-sgx-mandates-climate-and-board-diversity-disclosures

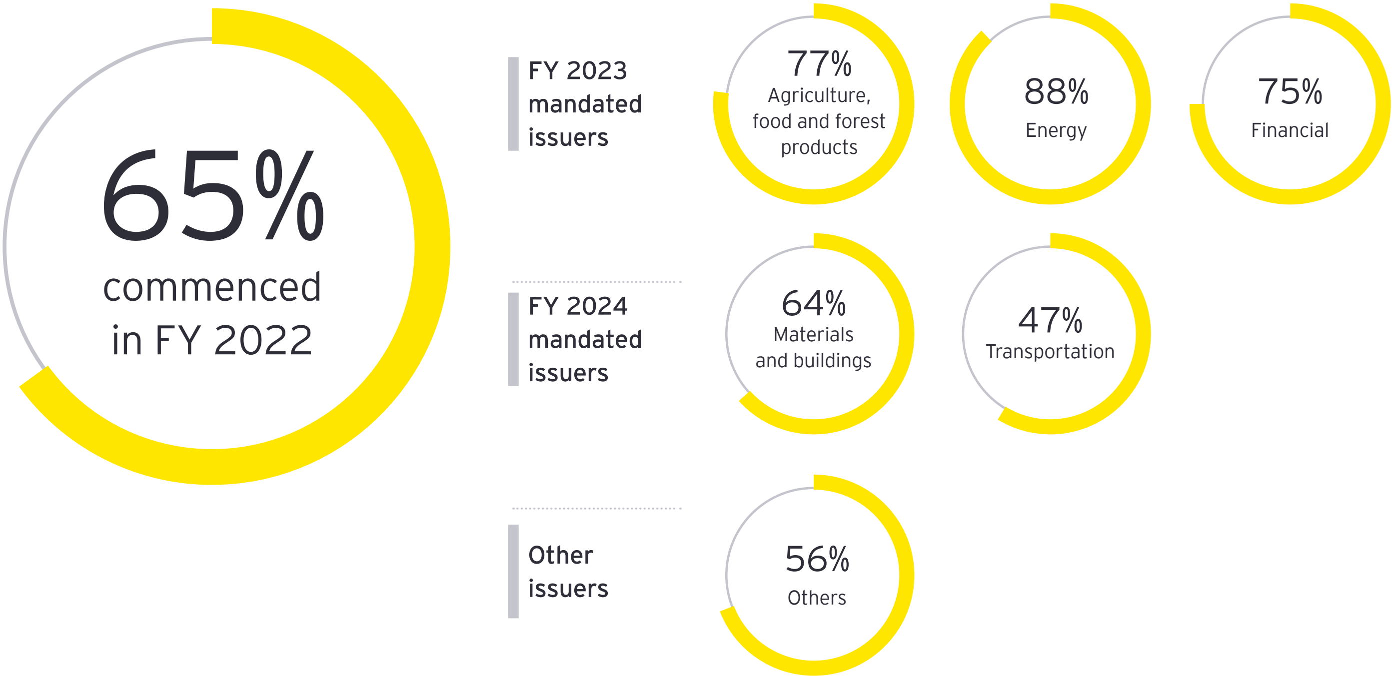
2

Current state of climate reporting in Singapore

The state of disclosures today

Figure 2

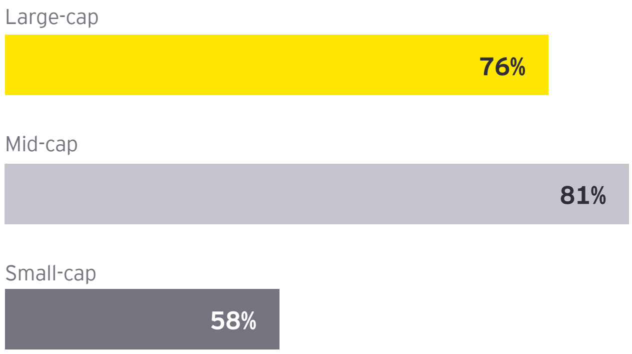
Overview of issuers by sector that initiated disclosures in current year



- 65% of the issuers in our study have commenced their climate-related disclosures in FY 2022.
- Of the 130 issuers that have not commenced climate-related disclosures, 46% did not make mention of any plans to comply, 25% mentioned that they will aim to comply in the future and 29% committed to either comply by next year or the following year.
- Many issuers slated for FY 2023 mandatory reporting have initiated their climate-related disclosures in the current year. Specifically, 77% of the issuers in the agriculture, food and forest products industry, 88% in the energy industry and 75% in the financial industry began climate-related disclosures reporting in FY 2022.
- Large-cap (76%) and mid-cap issuers (81%) have taken the lead in starting climate-related disclosures, setting an example for others to follow. We noted that a majority of the small-cap issuers have opted for a phased approach toward climate-related disclosures reporting. We expect the small-cap issuers to progressively align with the requirements of climate-related disclosures over time.

Figure 3

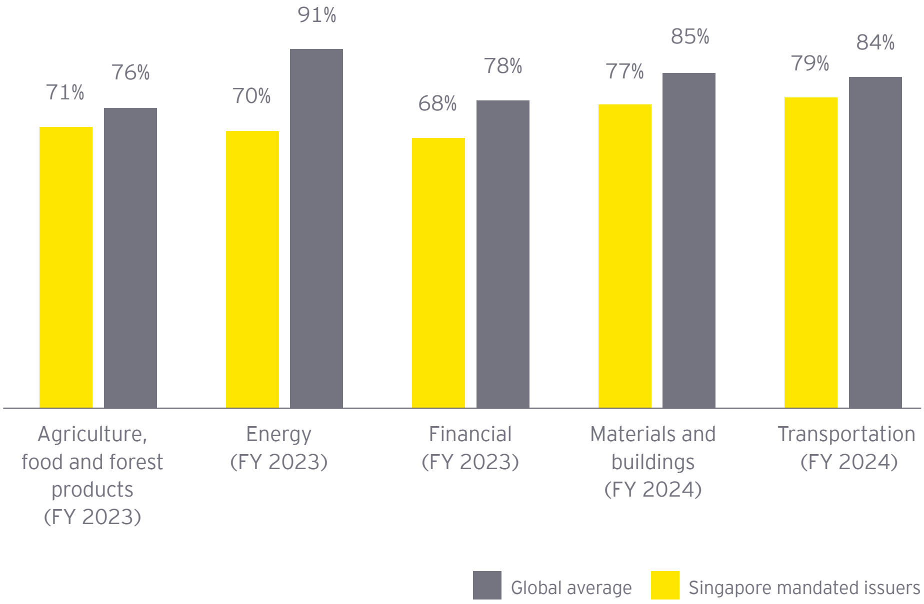
Percentage of issuers making climate-related disclosures by market cap



- Of the 240 issuers that included climate-related disclosures in their sustainability reports, 10% sought external assurance, with three issuers incorporating climate-related disclosures as part of their external assurance review process.

Figure 4

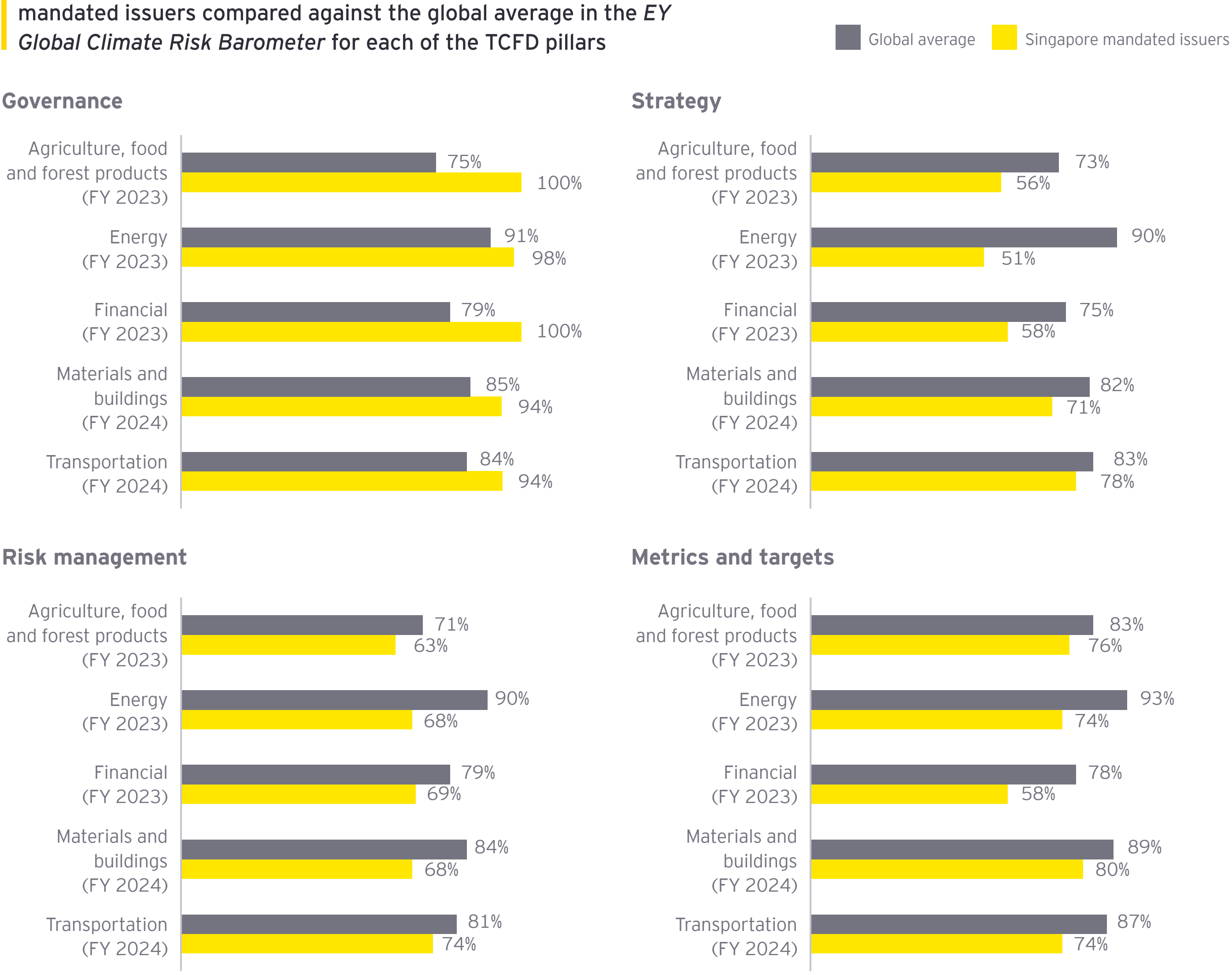
FY 2023 and FY 2024 mandated issuers are trailing behind the global average in terms of coverage of TCFD disclosures



- We performed a benchmarking analysis to compare the coverage of climate-related disclosures reported by FY 2023 and FY 2024 mandated issuers against the global average outlined in the annual *EY Global Climate Risk Barometer*. For the purpose of this analysis, coverage refers to the issuers providing some level of information that aligns with each of the TCFD recommendations, regardless of the quality of the information provided. Our analysis found that Singapore mandated issuers demonstrate strong disclosure practices under the governance pillar in line with the TCFD recommendations, but lag behind the global average in terms of disclosures across the other three pillars.

Figure 5

Coverage of climate-related disclosures by FY 2023 and FY 2024 mandated issuers compared against the global average in the *EY Global Climate Risk Barometer* for each of the TCFD pillars



Key insights

- We would like to highlight that all Singapore issuers are required to comply with climate-related disclosures. The option to explain is only applicable for non-compliance with specific TCFD recommendations, rather than the entire set of climate-related disclosures, except where issuers have determined and disclosed that climate-related risks and opportunities are immaterial to their operations. Implementing TCFD recommendations now will establish a strong groundwork for future compliance with IFRS S2 once it becomes mandatory in Singapore. As such, it is in the best interests of all issuers to start preparing for climate-related disclosures now to minimize the costs and disruptions associated with a last-minute rush to comply with new regulations.

Notable disclosures by issuers

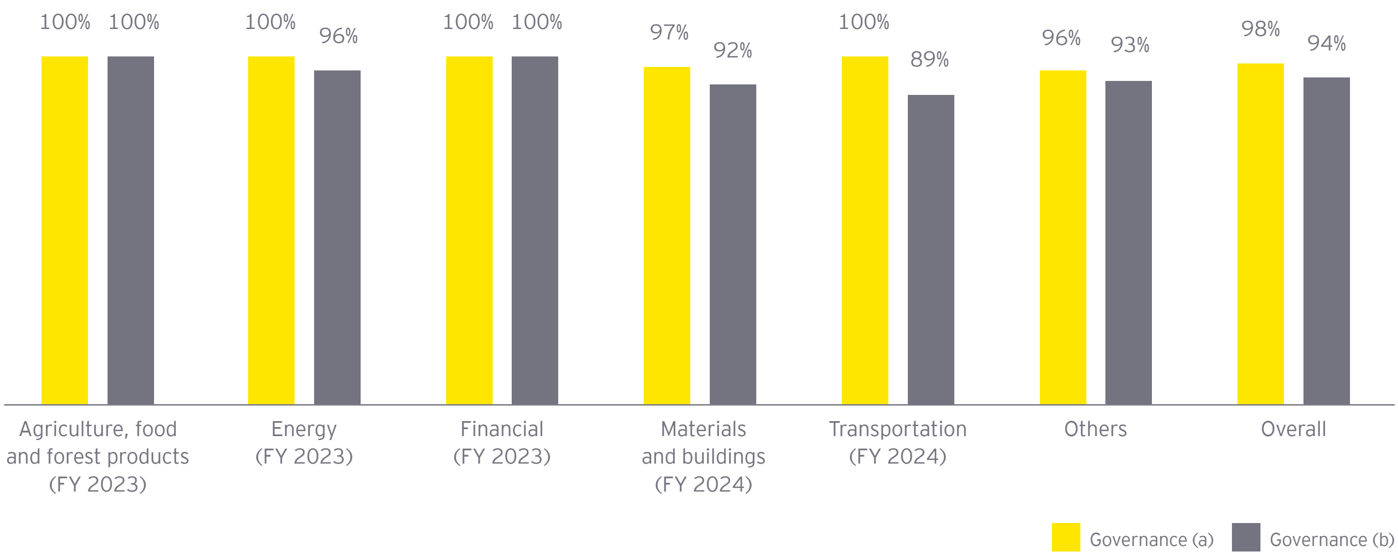
- City Developments Limited (CDL) included a TCFD disclosure summary in its integrated sustainability report, which described how the organization manages climate-related risks and opportunities, with reference to the four pillars of the TCFD recommendations. The disclosure summary also indicated the specific pages where CDL elaborated on its approach to manage the climate-related risks and opportunities within its integrated sustainability report. CDL is also the first company in Singapore that has external assurance conducted for its TCFD disclosures.

3 Examining issuers' climate-related disclosures

Governance

The state of disclosures today

Figure 6
Issuers' disclosures under the governance section of the TCFD framework



Recommended disclosures

a) Describe the board's oversight of climate-related risks and opportunities.
b) Describe management's role in assessing and managing climate-related risks and opportunities.

- Overall, 98% of the issuers have disclosed the board's oversight of climate-related risks and opportunities. Traditionally, the disclosure of the board's oversight and management's role in sustainability matters are fundamental components of the sustainability report and corporate governance section in the annual report. The inclusion of the board's oversight of climate-related risks and opportunities, as well as management's role in assessing and managing climate-related risks and opportunities, in the governance disclosures of the sustainability report is considered as an extension of current governance disclosures. Most issuers, therefore, generally have no difficulty in complying with the principles under the governance section of the TCFD's recommendations for climate-related disclosures.

Figure 7

Disclosures under the governance section by FY 2023 mandated issuers

30%

of the issuers describe the frequency of which the board and/or board committees (e.g., audit, risk or other committees) are informed about climate-related issues.

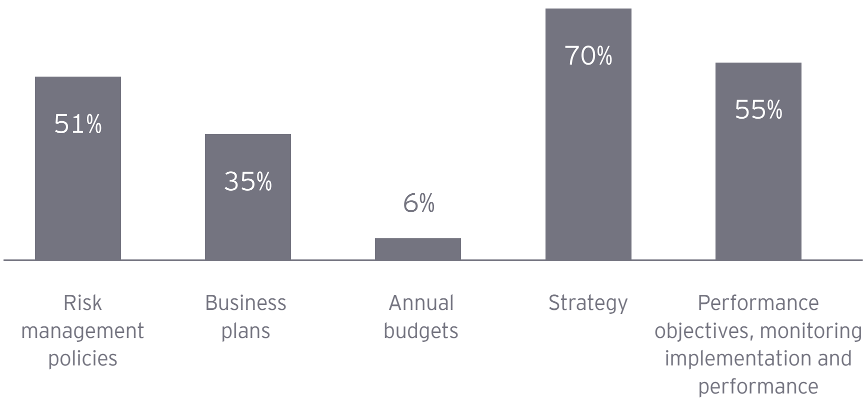
30%

of the issuers describe the frequency of which the committee meets to discuss and review climate-related issues, including reporting metrics.

- The board discussed climate-related considerations in various matters, with the highest level of discussion in the areas of strategy (70%) and performance objectives, monitoring implementation and performance. Board discussion on climate-related considerations was comparatively lower in the area of annual budgets (6%).

Figure 8

Climate-related considerations factored in types of board discussions



Key insights

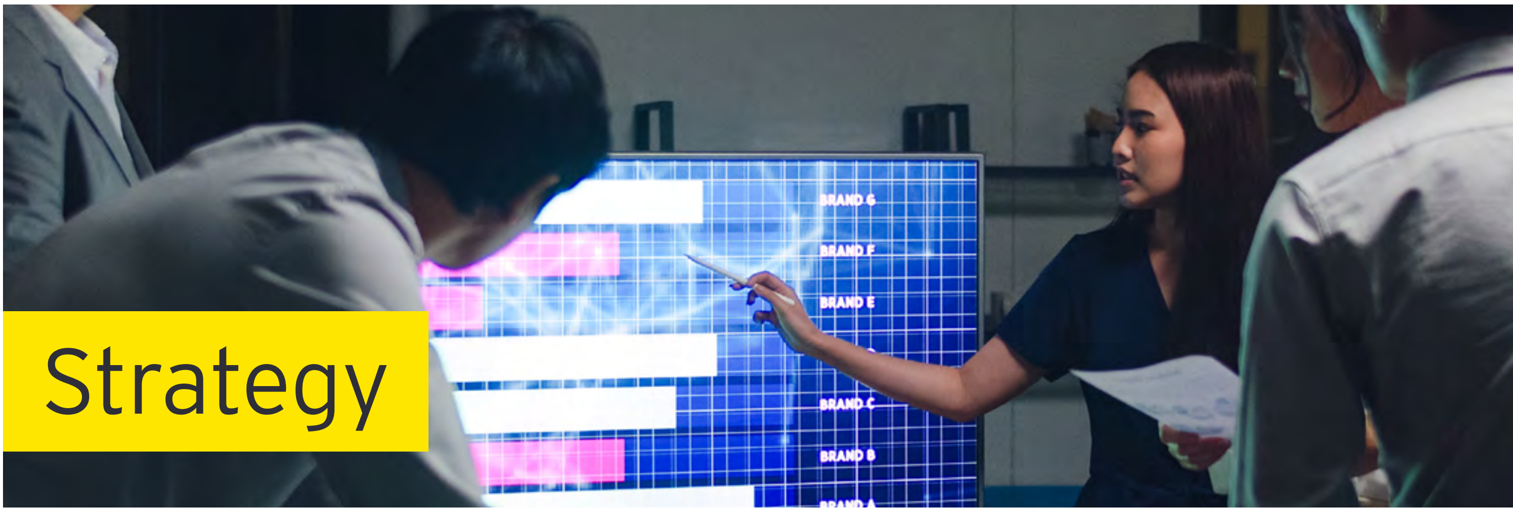
- **Strengthening disclosure on boards' oversight of climate-related risks and opportunities**
  Only 30% of the FY 2023 mandated issuers described the frequency of which the board is informed about climate-related issues. To enhance the disclosures on how boards are overseeing climate-related risks and opportunities, issuers should consider disclosing the frequency of board meetings where climate-related issues are discussed as well as the agenda items conclusions reached and action plans developed.

- **Using key performance indicators (KPIs) to monitor climate-related risks and opportunities**
  While the issuers disclosed that their board factored in climate-related considerations in setting performance objectives, monitoring implementation and performance (55%), there are limited disclosures on the KPIs and how KPIs are incorporated into the performance appraisals of the management. By emphasizing accountability, companies can effectively demonstrate their commitment to address climate-related challenges.

Notable disclosures by issuers

- Wilmar International Limited (Wilmar) began its TCFD journey in 2020 where it established the oversight and accountability of its climate risks by the board and management within its sustainability framework. The Board Sustainability Committee will regularly review performance against the metrics and targets set to ensure robust oversight and management over climate-related risks and opportunities. The performance against targets is evaluated every year and the results will be related to the performance review and remuneration for the year. The report also discloses the various groups of the governance body, their roles and responsibilities as well as their meeting and reporting frequency throughout the year.

  In addition, to enhance the board's capabilities on climate-related issues, Wilmar's directors attended mandatory training, which was required by the SGX for directors of SGX-listed companies. Additionally, in 2022, Wilmar conducted in-house training on climate matters with its board of directors.

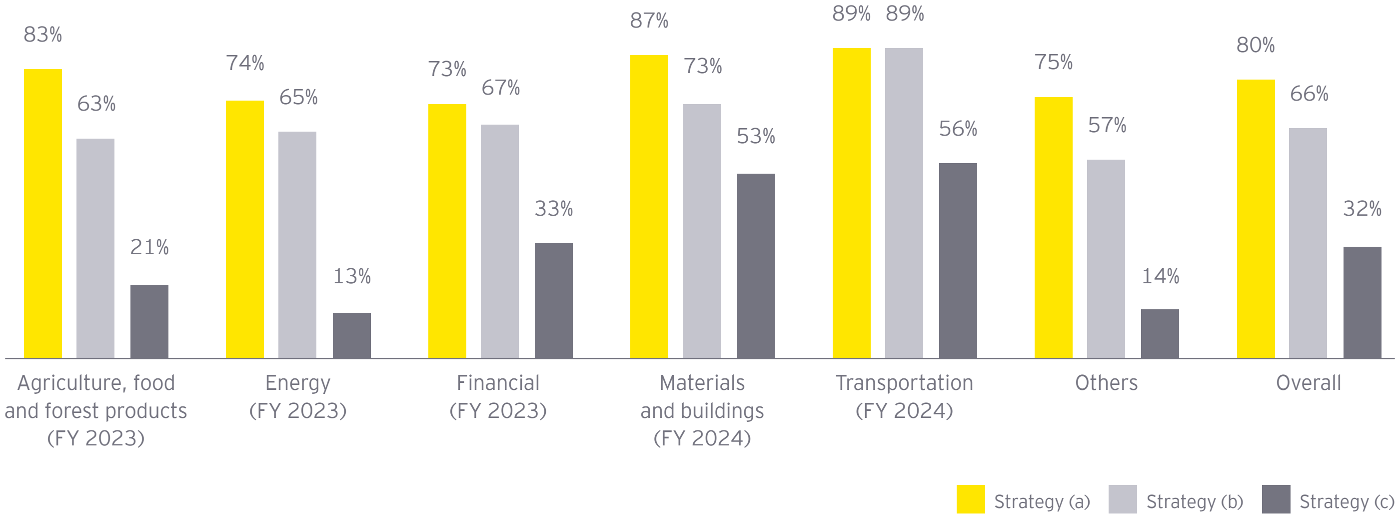


Strategy

The state of disclosures today

Figure 9

Issuers' disclosures under the strategy section of the TCFD framework



Recommended disclosures

a) Describe the climate-related risks and opportunities the organization has identified over the short, medium and long term.
b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy and financial planning.
c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2 degree Celsius or lower scenario.

- 80% of the issuers identified the climate-related risks and opportunities under recommended disclosure (a) of the strategy section. This recommended disclosure requires issuers to identify climate-related risks and opportunities and assign them to short-, medium- and long-term time horizons. However, only 30% of the issuers assigned the identified climate-related issues to a time horizon as required.

Figure 10

Did the issuers describe the impact of climate-related risks and opportunities on their products and services?

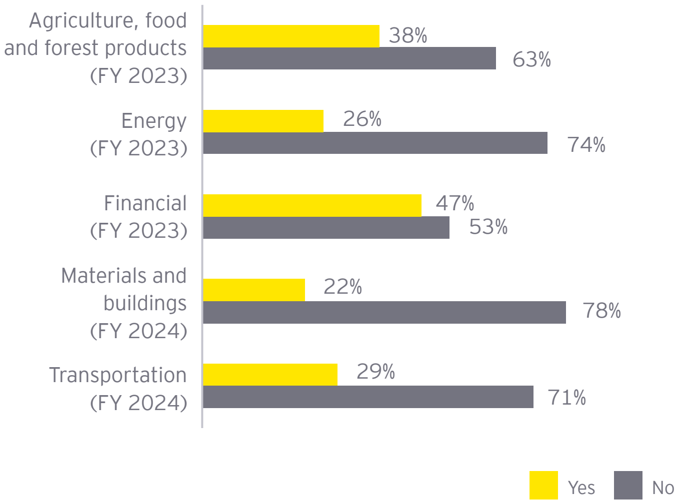


Figure 11

Issuers disclosing climate-related opportunities tend to focus more on internal operations (e.g., using efficient technology or lesser consumption of resources) than external opportunities (e.g., green financing or products)

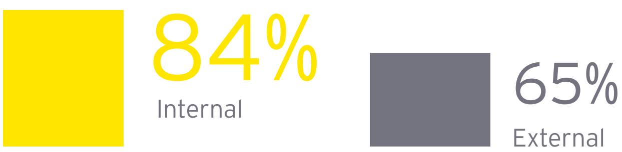
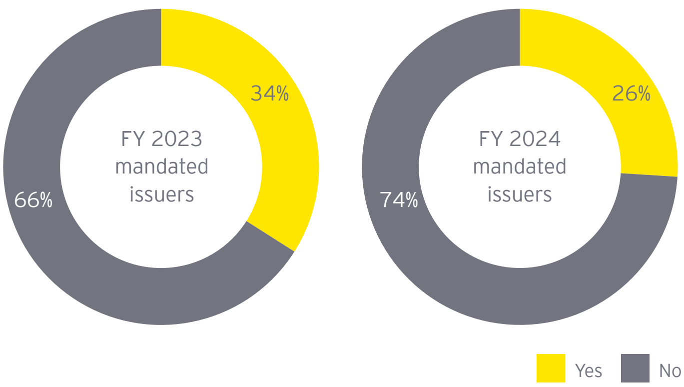


Figure 12

Did the issuers disclose their past and current actions (e.g.,case studies) to mitigate climate-related issues?



- 79% of the issuers discussed about climate-related risks while only 47% of the issuers discussed about climate-related opportunities. For the issuers that discussed climate-related opportunities, there was more discussion on internal operations than external opportunities. Issuers' disclosures were heavily focused on climate-related risks, while climate-related opportunities were often overlooked.
- 68% of the issuers have yet to commence scenario analysis. While the implementation of scenario analysis may be challenging for smaller issuers with limited resources, it is noteworthy that scenario analysis is a useful tool for issuers to assess their climate-related risks and uncertainties under different hypothetical futures and how those changes in climate may affect their business performance. Through scenario analysis, companies will be able to understand the resilience of their business or strategy to withstand climate-related disruptions, thereby enhancing their ability to adapt to changes or uncertainties that may affect their business performance.

Recognizing this need to help issuers in their scenario analysis and disclosures, the Institute of Singapore Chartered Accountants (ISCA) has issued a practical guide[6] on scenario analysis, which issuers can refer to when undertaking climate-related scenario analysis.

6 *ISCA Climate Disclosure Guide Volume 2 - First steps in conducting climate-related scenario analysis*, Institute of Singapore Chartered Accountants, 2023.

Key insights

- **Enhancing evaluation of climate-related risks and opportunities, and financial impact**
  Currently, 66% of the issuers provided high-level discussions on the potential impact of climate-related risks and opportunities. It is unclear whether the identified risks and opportunities have material financial implications for the issuers' business over time.

  A reason for this could be the difficulty issuers have in assessing the financial impact of those climate risks. A further challenge is that traditional risk management refers to a comparatively short time horizon, whereas climate risk is relevant to a much longer timeframe. This mismatch makes it difficult for companies to properly assess the impact of climate risks.

  Nevertheless, it is important for issuers to evaluate the likelihood and potential financial impact of these risks and opportunities. The results of such assessment can be used for strategic planning efforts and developing an appropriate climate budget for the board's review and approval.

  Furthermore, our observations of the FY 2023 and FY 2024 mandated issuers reveal that a majority of them did not disclose their historical and ongoing efforts to address the climate-related risks and opportunities identified. Issuers should consider disclosing their mitigation actions in future reporting. With the benefit of a comprehensive evaluation, issuers can provide more relevant information to stakeholders, thereby enhancing transparency and enabling informed decision-making.

- **The need to consider climate-related opportunities**
  A significant majority of issuers tend to focus their discussion on climate-related risks, while there are limited disclosures on climate-related opportunities. This imbalance raises concerns, given the multifaceted nature of climate change, which embodies both risks and opportunities.

  60% of the issuers that disclosed climate-related opportunities highlighted resource efficiencies, such as reduced usage and consumption of resources (e.g., using less electricity and water), as a key climate-related opportunity. However, these discussions primarily focused on operational aspects.

  Issuers should consider elaborating on climate-related strategies and opportunities. For instance, companies like Sembcorp Industries Ltd, Jardine Cycle & Carriage Ltd (JC&C), and Keppel Corporation Limited have disclosed their commitment to increasing investments in renewable energy solutions. Similarly, United Overseas Bank Limited (UOB) has identified climate-related opportunities across six focus sectors in two key carbon-emitting ecosystems — energy and built environment. The bank is actively collaborating with companies operating in these sectors to facilitate decarbonization efforts and provide financing for decarbonization solutions.

- **Embed climate change considerations into budgeting and strategic planning process**
  In our observation of the disclosures under the governance section, we identified a lack of consideration of climate-related issues by boards when reviewing companies' annual budgets. A holistic and robust budgeting process should factor in climate-related issues, which are imperative in today's context.

  The presence of a climate budget will demonstrate the issuer's commitment to addressing climate change and also signify that climate considerations are incorporated into the management's strategic decision-making process.

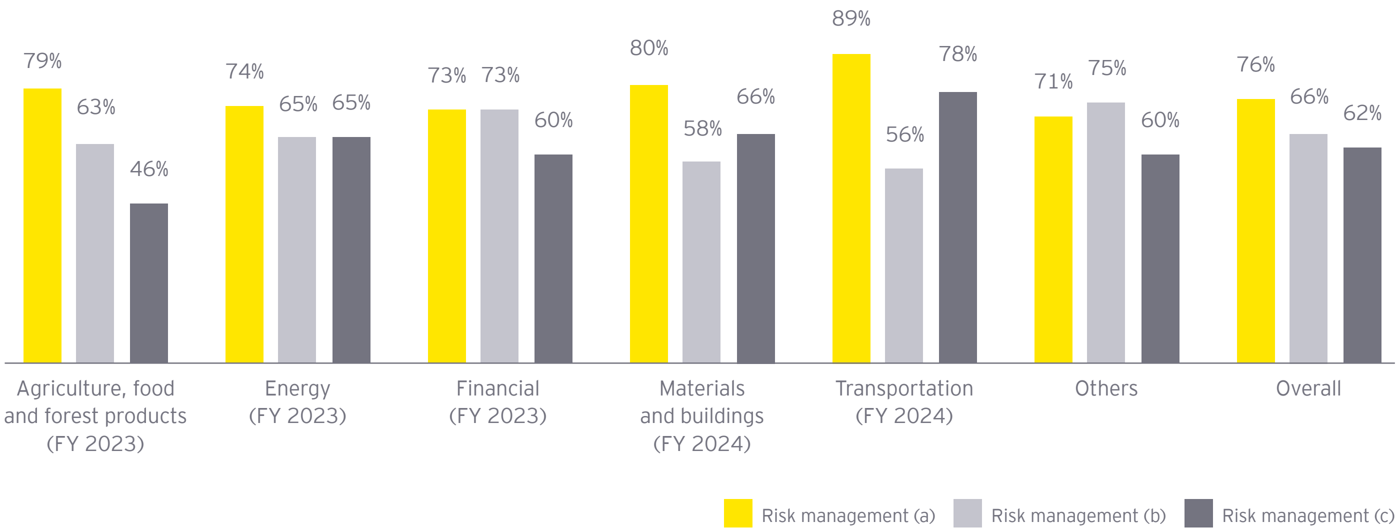
Notable disclosures by issuers

- Sembcorp Industries Ltd (Sembcorp) disclosed its five-year financial plan from 2021 to 2025 for renewables and integrated urban solutions projects, which is an identified climate-related opportunity. The company has also set specific targets for this opportunity and disclosed its historical performance on how it is progressing toward these targets.

Risk management

The state of disclosures today

Figure 13
Issuers' disclosures under the risk management section of the TCFD framework



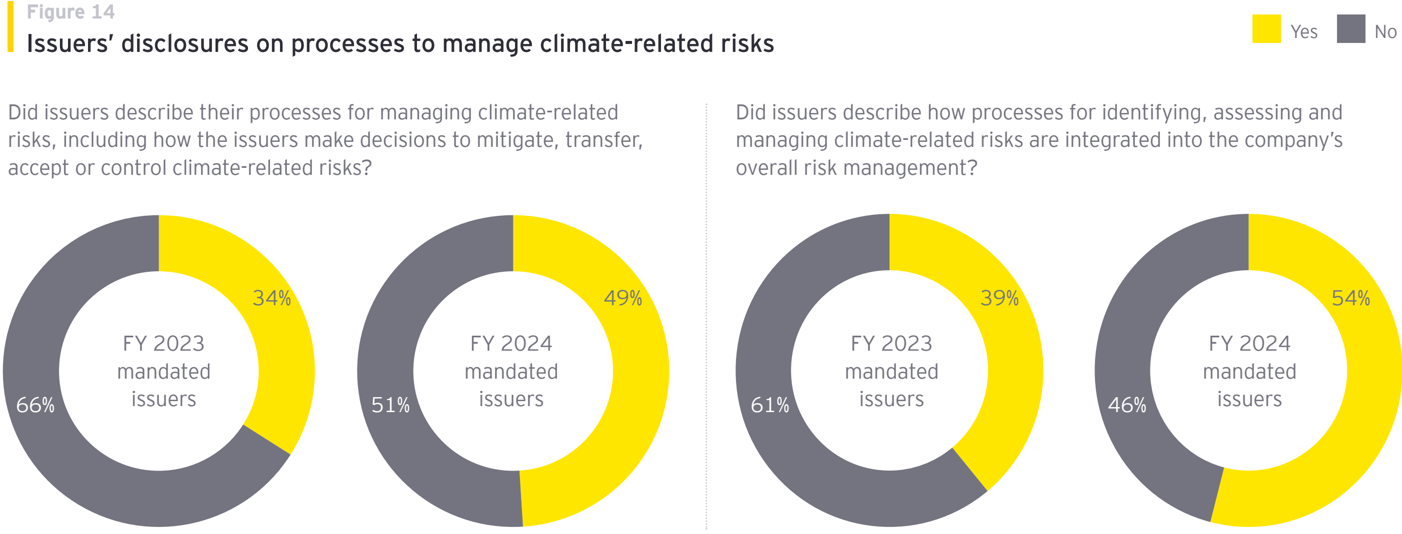
Recommended disclosures

a) Describe the organization's processes for identifying and assessing climate-related risks.
b) Describe the organization's processes for managing climate-related risks.
c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.

- While most issuers disclosed that their climate-related risk management is integrated within existing enterprise risk management (ERM) frameworks, few provided details on the process how such climate-related risks are being appropriately identified, assessed and managed.

Figure 14

Issuers' disclosures on processes to manage climate-related risks



Key insights

- **Enhancing disclosures on climate-related risk management processes**
  Based on our observations of the disclosures of the FY 2023 and FY 2024 mandated issuers, issuers could provide more detailed information on their risk management processes for material climate-related risks identified under the strategy section of the TCFD framework. This would include details on the processes to assess the likelihood and impact of the climate-related risks, the specific performance indicators used to monitor them, and their strategies to mitigate and adapt to the identified risks. By doing so, issuers can help stakeholders better understand how they are managing these risks.

Notable disclosures by issuers

- China Everbright Water Limited illustrated its five-stage climate risk management process starting from identifying and assessing to managing, reporting and monitoring of the climate risks. The company also provided detailed risk management disclosures on two key climate-related risks – water stress and coastal flooding. These disclosures explained the importance of the key climate risks to the company's investments and projects, assessed the impact of these risks and presented the current mitigation measures implemented for their projects.

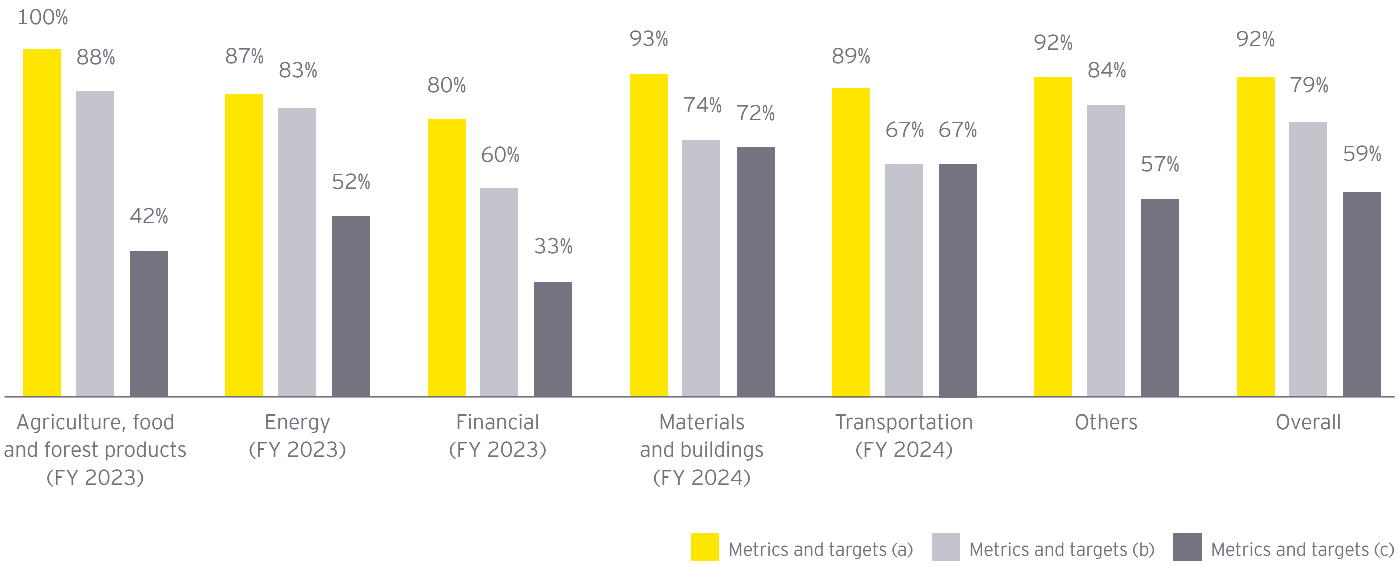
- CDL considers climate risks as one of its key strategic risks within its ERM framework and manages it alongside other material risks identified. Elaborated within the annual report, the ERM framework sets out the company's governance structure for managing risks, risk culture, risk appetite and tolerance limits. The company's sustainability report builds upon this to further disclose various sustainability initiatives taken to address and mitigate climate risks.

Metrics and targets

The state of disclosures today

Figure 15

Issuers' disclosures under the metrics and targets section of the TCFD framework



Recommended disclosures

a) Describe the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.

b) Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.

c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

- 92% of the issuers disclosed their metrics used to assess climate-related risks and opportunities. Our review found that many issuers disclosed metrics pertaining to water, energy, emission, land use and waste management. While these metrics are important and relevant, we observed a lack of specific metrics addressing the climate-related risks and opportunities identified in the strategy section of the TCFD framework. This absence is a notable gap. In line with our findings in the strategy section, we noticed a lack of discussion regarding metrics and quantifiable targets related to climate-related opportunities.

- Disclosures of Scope 1 and 2 GHG emissions are quite advanced, with 75% of issuers disclosing Scope 1 emissions and 83% disclosing Scope 2 emissions. There is progress to be made for the disclosure of Scope 3 emissions, as currently only 25% of the issuers provided such disclosures.
- Based on our observations, 59% of the issuers set targets used to manage climate-related risks and opportunities. However, it is noteworthy that a considerable number of issuers disclosed qualitative targets at a higher level, such as to "maintain or reduce". Issuers should strive to set quantitative targets in the future and measure their actual performance against these targets.

Figure 16

Metrics used to measure and manage climate-related risks and opportunities

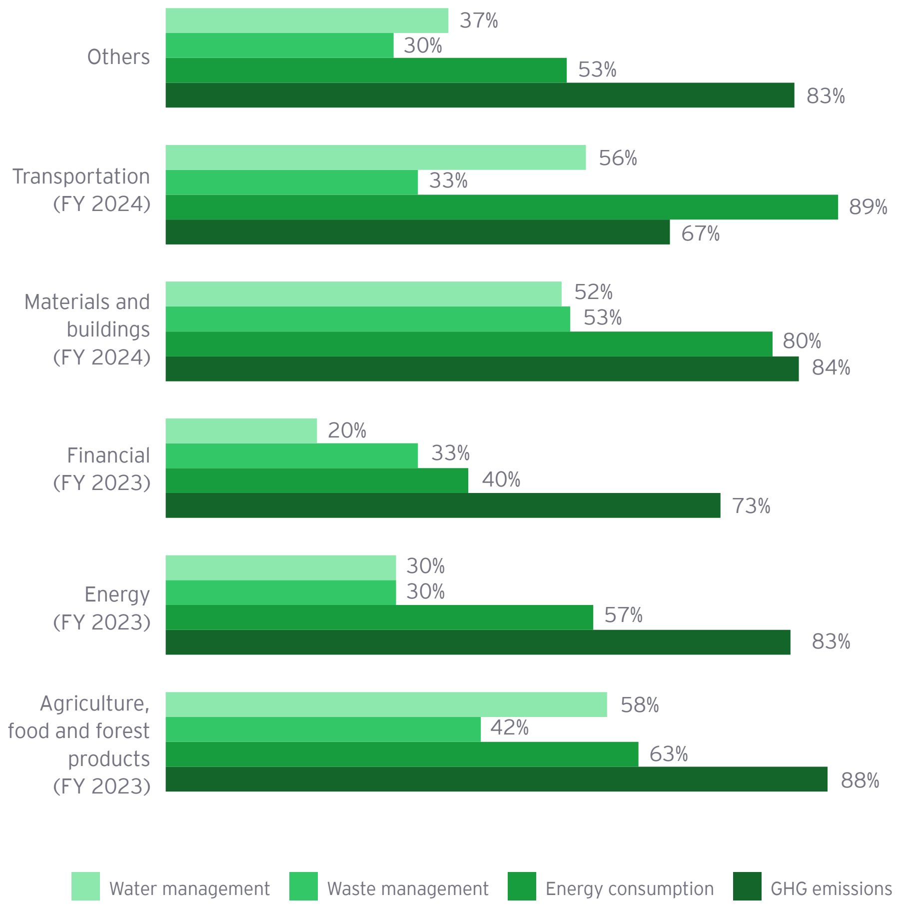
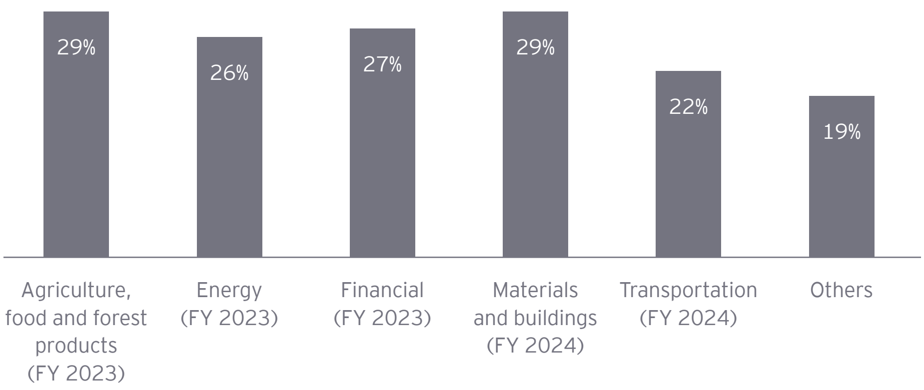


Figure 17

Percentage of issuers disclosing Scope 3 GHG emissions by sectors



Key insights

- **Linking metrics and targets to climate-related risks and opportunities**
  As issuers gain more experience in climate-related disclosures, they should establish a clear connection between the disclosed metrics and the climate-related risks and opportunities identified under the strategy section of the TCFD framework to help their stakeholders gain a more accurate understanding of their climate-related performance. In addition, tracking performance against these targets enables issuers to assess their progress and take corrective actions if necessary.

- **Measurable commitment: setting specific and quantitative climate-related targets**
  We noticed that some issuers established targets with the generic goal to "maintain or reduce". While this approach demonstrates a commitment to managing climate-related risks, we recommend that companies strive to set more specific and quantitative targets in the future. By establishing quantitative targets, issuers can provide a clearer direction for all stakeholders and demonstrate a more measurable commitment to addressing climate-related risks and opportunities.

Notable disclosures by issuers

- JC&C has identified lower demand for coal and transition toward renewables solutions as one of its key climate-related risks. To reduce this risk, JC&C targets to grow non-coal revenue to 90% by 2030. The issuer has committed to scale up investment in renewable energy, diversify into non-coal mineral mining and to cease new investments in thermal or metallurgical coal mines and new thermal coal-fired power plants. These established targets are responsive to the climate-related risks identified and are also measurable and trackable in terms of the progress made.

4

The way forward

In this report, we have sought to understand the current state of climate reporting in Singapore and analyzed how issuers are addressing the requirements of climate-related disclosures. Our research found that 65% of the companies in this study have started their climate reporting journey in their sustainability reports for the year ended 31 December 2022. In addition, a proportionately higher number of FY 2023 mandated issuers have commenced their climate-related disclosures ahead of schedule.

The study also found that issuers' disclosures under the governance section of the TCFD framework are more mature while there are gaps to be addressed for disclosures under the TCFD's strategy and metrics and targets requirements.

How can Singapore issuers improve their climate disclosures for future reporting? Based on our analysis, we recommend the following:

1

Engage with stakeholders proactively in preparation for new climate reporting requirements

Given the emphasis placed by regulators on advancing climate reporting in Singapore, it is imperative for issuers to prepare for the implementation of mandatory climate-related disclosures as it will be a significant undertaking for many entities. Early and active engagement with internal stakeholders on the disclosure requirements will provide a holistic approach to developing or upgrading data, systems and processes in order to comply with new requirements. Just as important is maintaining regular communication with external stakeholders to enable issuers to better understand and evaluate the forthcoming information to be reported.

Whilst the implementation of new requirements may entail short-term challenges, it also brings about long-term benefits for issuers and stakeholders. Besides gaining a deeper understanding of an issuer's rights, obligations, risks and opportunities, disclosing sustainability-related financial information aligned with a global baseline such as standards issued by the ISSB may lead to lower capital costs for issuers.

2

Strengthen understanding and assessment of the financial impact of climate-related risks, and explore climate-related opportunities for long-term resilience

Our study found there is limited discussion on the financial impact of identified climate-related risks and opportunities on issuers' businesses. Going forward, issuers should seek to identify material climate-related risks specific to their operations and their potential impact over the medium and long term. They can then formulate robust strategies to mitigate and adapt to these risks, and develop appropriate metrics to monitor them and take corrective actions when necessary.

3

Leverage scenario analysis for better assessment of climate-related risks and opportunities

Scenario analysis is crucial as it helps issuers evaluate and quantify potential climate-related risks and opportunities under various scenarios. By developing different plausible future scenarios, issuers can consider various pathways and their implications for their business. This process can help issuers gain a comprehensive understanding of their climate-related risks and opportunities, allowing them to develop targeted risk management measures for material climate-related risks and formulate strategies to leverage potential climate-related opportunities.

4

Embed climate change considerations into budgeting and strategic planning process

Climate change risks are not usually considered in issuers' budget discussions and aligned with overall strategies and related measures. This makes it difficult to assess the extent to which issuers are addressing climate change. As climate change mitigation projects could be capital-intensive (e.g., investments in new technology and products), early planning allows issuers sufficient lead time to secure the necessary funding.

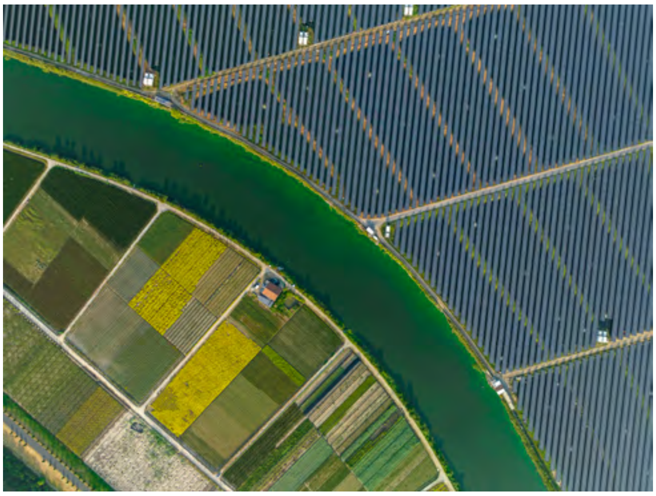
5

Set meaningful quantitative targets and track performance

Issuers can consider developing specific metrics that are linked to material climate-related risks and opportunities to monitor and measure performance. Establishing meaningful quantitative targets that can be tracked helps issuers gauge the effectiveness of their climate-related strategies and prioritize the investments to meet desired outcomes, leading to more focused and impactful efforts in tackling climate change. Moreover, transparent reporting of progress against metrics and targets builds stakeholder trust and enhances credibility.

About this research

This report has scoped in all SGX-listed issuers with a financial year-end of 31 December 2022, and whose sustainability reports were issued on or before 31 May 2023. These issuers were categorized into three groups: large-cap (market capitalization of S$1 billion and above), mid-cap (market capitalization of S$300 million to less than S$1 billion), and small-cap (market capitalization of less than S$300 million) based on market capitalization as at 31 December 2022.



As at 31 May 2023, there were 370 issuers that published their sustainability reports. From this population, we excluded 130 issuers that have not provided climate-related disclosures. Our analysis focused on assessing the climate-related disclosures of the 240 issuers that have commenced their climate reporting efforts.

To analyze the climate-related disclosures of the 240 issuers, we referred to several key sources, including the TCFD's publication on climate-related financial disclosures[7], the Sustainability Reporting Guide[8] under the SGX Rulebooks and the United Nations Sustainable Stock Exchange (SSE) Model Guidance on Climate Disclosure[9]. Using these references, we developed a checklist of questions to benchmark the state of climate-related disclosures of the respective issuers.

Considering the nascent adoption of climate-related reporting by issuers in line with the SGX's allowance for phased reporting, the focus of this report is to determine whether issuers provided some level of information that complied with each of the recommendations outlined in the TCFD, regardless of the quality of information provided.

7 Task Force on Climate-related Financial Disclosures. *Implementing the Recommendations of the Task Force on Climate-related Financial Disclosures*, Financial Stability Board, 2021.

8 SGX. (2016). *Mainboard Rules: Practice Note 7.6 Sustainability Reporting Guide*. Retrieved from https://rulebook.sgx.com/rulebook/practice-note-76-sustainability-reporting-guide
SGX. (2016). *Catalist Rules: Practice Note 7F Sustainability Reporting Guide*. Retrieved from https://rulebook.sgx.com/rulebook/practice-note-7f-sustainability-reporting-guide

9 United Nations Sustainable Stock Exchanges (SSE). (2021). Model Guidance on Climate Disclosure: A template for stock exchanges to guide issuers on TCFD implementation. Retrieved from https://sseinitiative.org/wp-content/uploads/2021/06/Model-Guidance-on-Climate-Disclosure.pdf

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