ACRA Regulatory Updates

Ms Tan Wee Khim

Technical Director, Financial Reporting & Standards Department, ACRA

ACRA
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

SID SINGAPORE INSTITUTE OF DIRECTORS

Agenda

01

Financial Reporting Surveillance Programme

02

A study on Climate-Related Disclosures

03

Preparing for the Next Chapter

Financial Reporting Surveillance Programme (FRSP)

Our Ten Years Journey

Focus on key measures

Take enforcement actions

Review financial statements

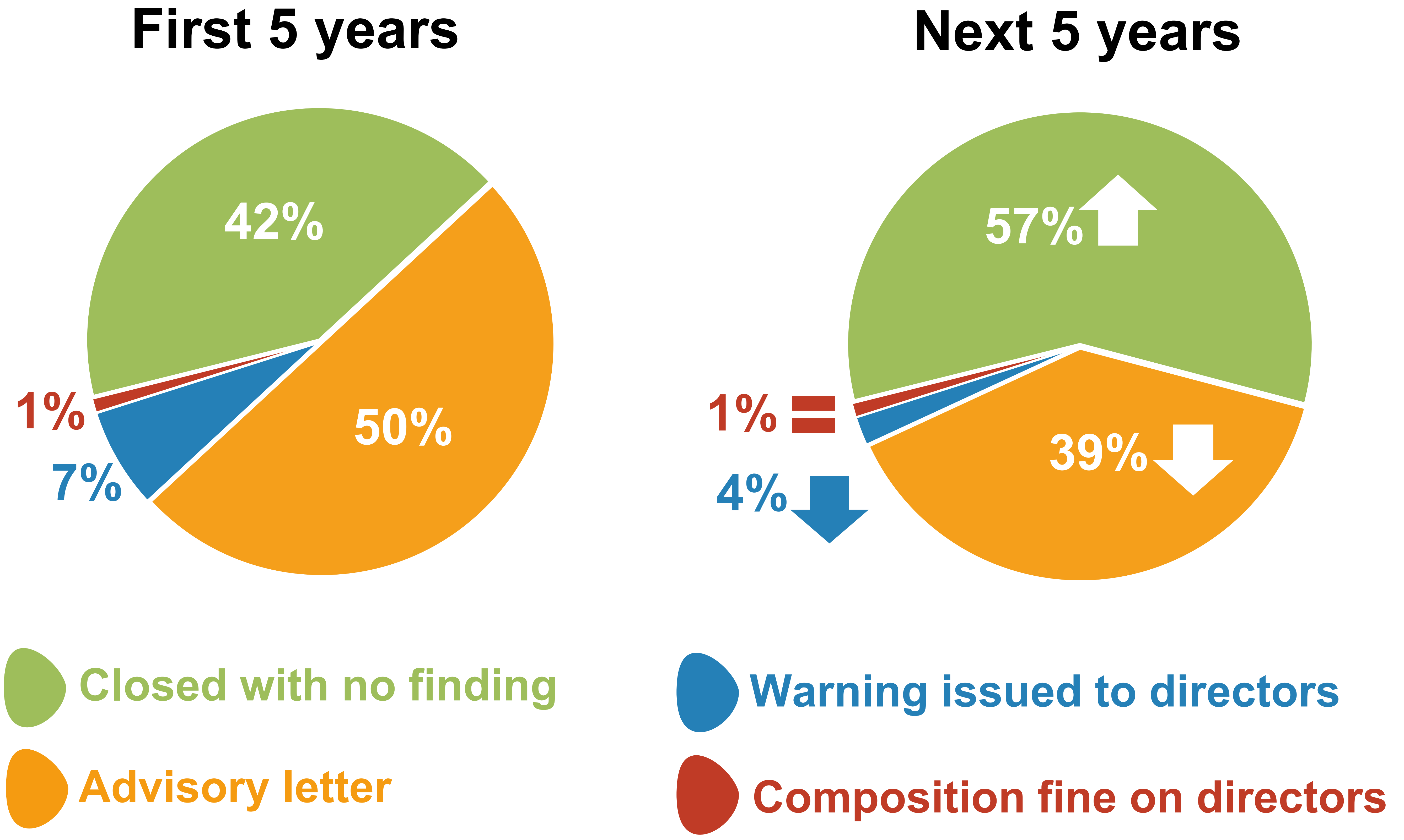
Deep dive and benchmark

Share focus areas and findings

2014 – Present

Raising the Bar on Financial Reporting

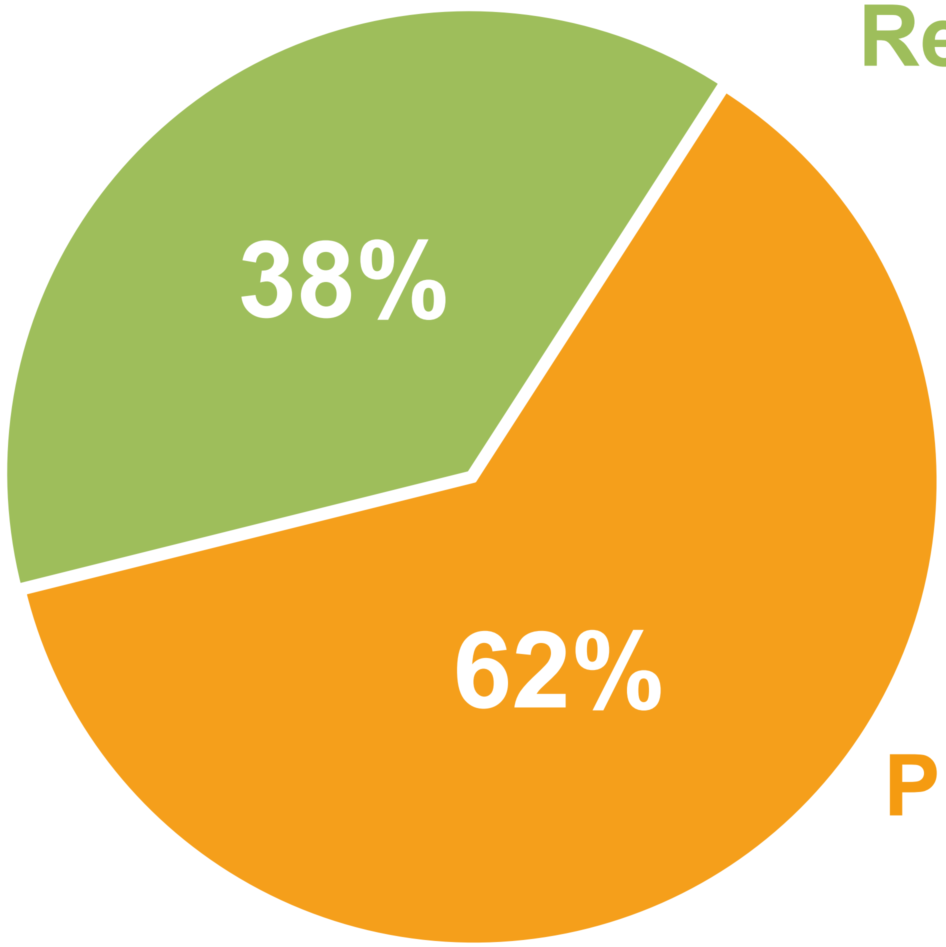
Outcomes of Reviews



Findings from Reviews

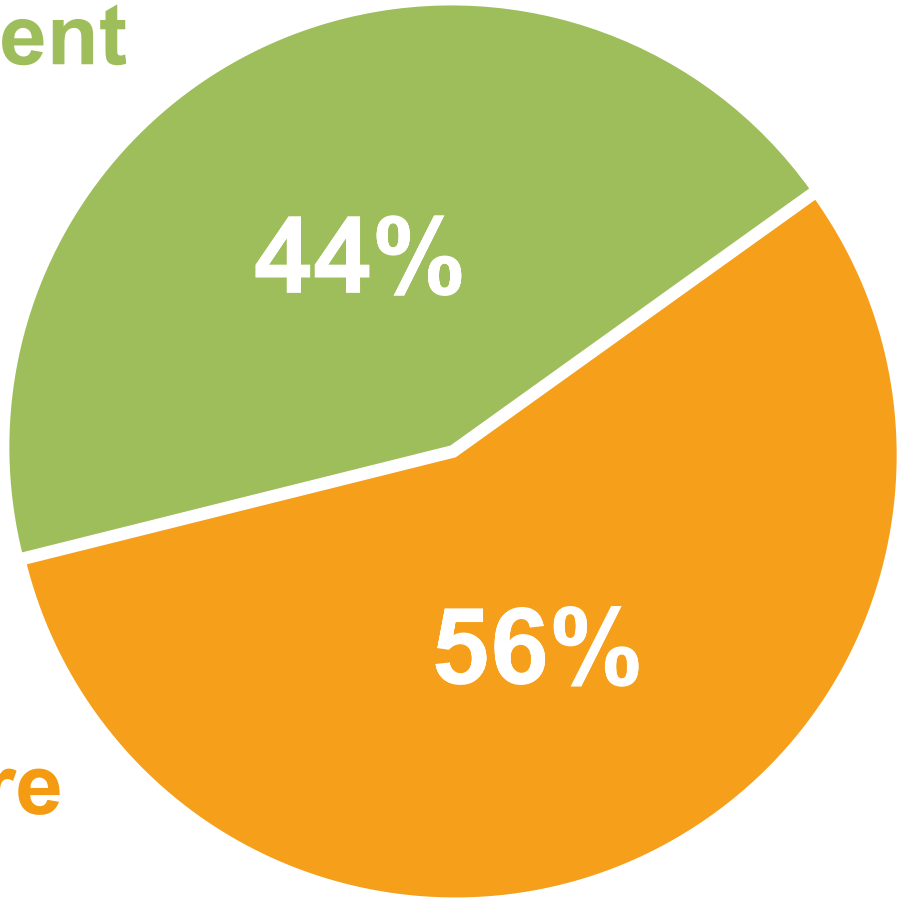
First 5 years

No. of findings per FS = 1.8



Next 5 years

No. of findings per FS = 1.4



Recognition/Measurement

Presentation/Disclosure

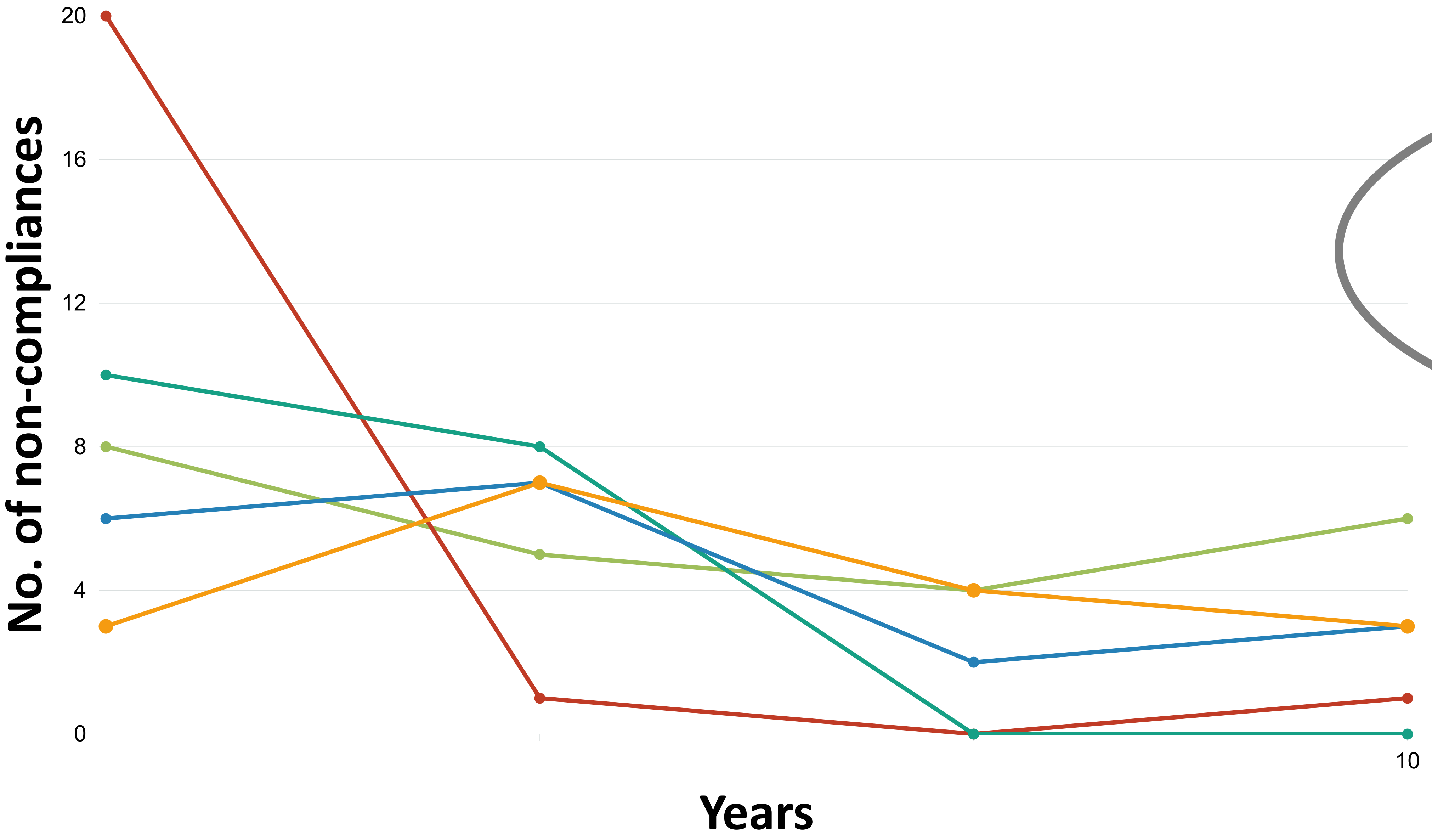
Poll Question

Which area had the highest instances of findings over the past 10 years?

A. Revenue recognition
B. Impairment of assets
C. Presentation in cash flow statements
D. Presentation in financial statements

Top Areas with Findings

Top five areas with findings: at a glance



- Statement of cash flows
- Fair value measurements
- Impairment of assets
- Financial instruments disclosures
- Business combinations

ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

Common Findings

SID SINGAPORE INSTITUTE OF DIRECTORS

Statements of Cash flows

- Misclassification of cash flows between operating, investing and financing activities

- Inclusion of non-cash items

Fair Value Measurements / Impairment of Assets

- Inputs and assumptions (e.g. discount rate, projection period and etc.) not valid / supportable

- Inadequate disclosure

(Sneak Preview)
A Study on
Climate-related Disclosures

Study on TCFD Disclosures

ACRA — Accounting And Corporate Regulatory Authority

SID — Singapore Institute of Directors

NUS National University of Singapore | Sustainable and Green Finance Institute

Lead:
Dr Sean Shin
Senior Lecturer of Accounting

Advisor:
Prof Mak Yuen Teen
Professor (Practice) of Accounting

Objectives

- Review **comprehensibility and analytical utility** of TCFD disclosures vis-a-vis Guidance to TCFD Recommendations.
- Find connectivity between **climate reporting with financial reporting.**

Samples

- 51 entities listed on the Main Board, each with market capitalisation exceeding $1 billion as of 4 July 2023.

TCFD – Four Pillars

Governance

Disclose the organization's governance around climate-related risks and opportunities.

Strategy

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.

Risk Management

Disclose how the organization identifies, assesses, and manages climate-related risks.

Metrics and Targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

Sub-sections in each Pillar

Governance	Strategy	Risk Management	Metrics and Targets
Board's oversight of climate-related risks and opportunities (CR&O)	CR&O over short-, medium- and long-term	Processes for identifying and assessing CR	Metrics used to *assess* CR&O
Management's role in assessing and managing CR&O	Impact of CR&O on businesses, strategy, and financial planning	Processes for managing CR	Scope 1, Scope 2, and if appropriate, Scope 3 GHG emissions
	Resilience of strategy, considering different climate scenarios, including a 2°C or lower scenario	How above processes are integrated to overall risk management (RM)	Targets used to *manage* CR&O and performance against targets

Disclosures Entities Did Well

Governance	Strategy	Risk Management	Metrics and Targets

Where 80% or more selected entities made full disclosures based on requirements in Guidance:

Governance

- Climate-related roles and responsibilities assigned to management/ committees *(92%)*
- Description of associated organisational structure *(90%)*

Strategy

- Disclosure of physical risks *(90%)* and transitional risks *(88%)*
- Process(es) used to determine which risks and opportunities could have a material financial impact *(80%)*

Risk Management

- How materiality determinations are made within the organisations *(82%)*

Metrics and Targets

- Key metrics used to measure and manage climate risks *(94%)*, that are quantified *(86%)*
- Disclosure of Scope 1 *(90%)* and Scope 2 *(94%)* GHG emissions

ACRA
Accounting And Corporate Regulatory Authority

Disclosures Entities Can Improve

SID Singapore Institute of Directors

Governance | **Strategy** | **Risk Management** | **Metrics and Targets**

Where 20% or less of selected entities made full disclosure based on requirements in Guidance

Governance

- Whether the board and/or board committees consider climate-related issues when overseeing capex, acquisitions and divestitures *(2%)*
- Processes by which management is informed about climate-related issues *(12%)*

Strategy

- Description on resilience of strategy (18%), including scope and assumptions of climate scenarios
- Impact of CR&O on access to capital *(14%)*, capex *(16%)* and financial planning *(14%) etc*
- Description of climate risks by sector/ geography *(12%)*

Risk Management

- Processes for assessing potential size and scope of identified CR *(10%)*

Metrics and Targets

- **Disclosure of external and internal carbon price *(0%)***
- Remuneration *(4%)*
- Opportunity metrics *(8%)*

ACRA
Accounting And Corporate Regulatory Authority

Illustration – Governance

SID Singapore Institute of Directors

Singapore Telecommunications Limited (Singtel)

1 How climate risks, opportunities are managed by each body/role

2 How mgt is informed of climate issues

Table 2: : Singtel Group sustainability governance climate-related roles and responsibilities

Governance body	Climate-related roles and responsibilities	Meeting and reporting cadence
Board of Directors	The Board oversees the overall sustainability and climate-related strategies, approves the materiality matrix which includes climate-related topics, reviews the progress and performance of the Group's climate commitments and strategy, and approves disclosures in the Annual Report and Sustainability Report including climate-related disclosures and metrics.	Twice a year for ESG matters
Executive Resource and Compensation Committee (ERCC)	ERCC reviews and approves executive and management's compensation structure, and long and short term incentives. ESG KPIs comprise 20% of these incentives, with climate-related KPIs representing one in five targets for both groups.	Once a year to review KPIs and performance
Board Finance and Investment Committee (FIC)	FIC approves sustainability-linked financing and associated ESG KPIs.	Up to twice a year for ESG-related topics, as required
Board Risk Committee (RC)	RC reviews key climate risks, including emerging risks, mitigation plans and progress against targets, and reviews recommendations from the RMC.	At least twice a year for ESG-related risks, and once a year for climate-related risks
Group Chief Executive Officer (GCEO)	GCEO, a Board member and Chairperson of the Management Committee, is responsible for making climate-specific recommendations to the Board, related to strategy, performance, risks and disclosures.	Participates in meetings with Board and Management Committee
Management Committee (MC)	MC, comprising all C-level senior executives, plans, reviews and approves Singtel Group's climate strategy and other ESG decisions and investments across our Singapore and Australia operations.	Monthly to quarterly for different ESG topics
Risk Management Committee (RMC)	RMC reviews key climate risks, including emerging risks, mitigation plans and progress against targets, and makes recommendations to RC. RMC also ensures the Group's progress is in alignment with TCFD framework and disclosures.	Up to twice a year for ESG-related risks, and at least once a year for climate-

Illustration – Strategy (1)

ComfortDelgro

1

Impact from each key risk on short-, medium- and long-term were described

Impact	Higher mean temperatures and more frequent/intense heatwaves	More frequent or intense floods (River and Flash floods) and Rising Sea Levels	Policies and regulations moving towards a low carbon economy	Developments and shifts in innovation and technology
Risk Type	Physical		Transition	
Overall anticipated result	Material increase in spend on cost of cooling	Material loss of revenue and increased insurance costs	Material impact if no decarbonisation takes place	Increased demand of spares, increased cost of hydrogen vehicles
Short-term result	• Moderate cooling consumption increase expected in both scenarios • Energy price expected to be higher in 1.5°C scenario	• Explored flash flooding for all regions – mild risk to revenue • River flooding focused on UK, China & Aus. – moderate to high risk	• More relevant for 1.5°C scenario • Indirect costs of carbon can be passed on - Scope 1 and 2 related carbon costs may increase	• Hydrogen is increasing in popularity in specific regions • Slow but steady rate of adoption as infrastructure is enhanced
Medium-term result	• Cost decreases over time in 1.5°C scenario (electricity prices increase, while risk is mild) • Cooling cost increases in a >3°C scenario, as risk is higher	• Insurance costs for flooding likely to increase, adding to potential loss of revenue	• Some capital expenses expected due to the transition activity	• Demand of spare parts for ICE vehicles anticipated to increase • EVs require lower maintenance regarding spares
Long-term result	• Significant increase in cost of cooling in a >3°C scenario, as heatwaves frequency and intensity is expected to keep rising	• Anticipated potential revenue loss is low *(preliminary assessment)*	• Scope 1 and 2 related carbon costs will significantly rise, especially in 1.5°C scenario where carbon price is high	• Lower spend on EV maintenance • Increased spend on hydrogen as R&D & infrastructure costs increase

Illustration – Strategy (2)

2 **Each material risk and its risk level are described by geography**

ComfortDelgro

		Singapore	Australia	UK & Ireland	China
Physical	1.5°C warming	Heatwaves / High temps. (Moderate risk) Floods (Moderate risk)	Heatwaves / High temps. (Moderate risk) Floods (Moderate risk)	Heatwaves / High temps. (Moderate risk) Floods (Moderate risk)	Heatwaves / High temps. (Moderate risk) Floods (Moderate risk) Storm / typhoon (Mild risk)
Physical	>3°C warming	Heatwaves / High temps. (High risk) Floods (High risk)	Heatwaves / High temps. (High risk) Floods (High risk) Droughts / Water scarcity (Moderate to high risk)	Heatwaves / High temps. (High risk) Floods (High risk) Rising sea level (High risk)	Heatwaves / High temps. (High risk) Floods (High risk) Storm / typhoon (Mild risk)
Transition	1.5°C warming	Carbon pricing (High risk) Policies and regulations (High risk) Developments in tech (High risk)	Carbon pricing (High risk) Developments in tech (High risk)	Policies and regulations (High risk) Developments in tech (High risk)	Carbon pricing (High risk) Policies and regulations (Mild risk) Developments in tech (High risk)
Transition	>3°C warming	Carbon pricing (Moderate risk) Policies and regulations (Moderate risk) Developments in tech (Moderate risk)	Carbon pricing (Moderate risk) Developments in tech (Moderate risk)	Developments in tech (Moderate risk)	Carbon pricing (Moderate risk) Developments in tech (Moderate risk)

Legend:

Potential impact magnitude:

- Mild risk
- Moderate risk
- Moderate to high risk
- High risk

Illustration – Strategy & RM (1)

City Development Limited

Scope and Parameters of the Three Studies

Parameters	1st Study: 2018	2nd Study: 2019-2020	3rd Study: 2021-2022
Climate Scenarios	2°C and 4°C warmer scenario	1.5°C and 2°C warmer scenario	Orderly scenarios – Net Zero by 2050 (1.5°C)[4] Disorderly scenarios – Delayed Transition (2°C)[4]
Types of Risks	Physical and Transition Risks		
Timeframe	2030	Short term: Present – 2030 Medium term: 2030 – 2050 Long term: 2050 – 2100	Short term: Present - 2030
Countries	1. Singapore 2. China 3. UK	1. Singapore 2. China 3. UK 4. USA	1. Singapore 2. China 3. UK 4. USA 5. New Zealand
Baseline year	2016	2018	2019 (with 2020 caveats included where relevant)
Business units	Development Properties (DP), Investment Properties (IP) and Hotel Operations		

1 **Assumption and scope for assessing potential financial impact were first stated**

Illustration – Strategy & RM (2)

City Development Limited

Charting the Way Forward for a Net Zero Future

High Risk | Moderate Risk | High Opportunity | Moderate Opportunity

* High Risk: financial impact amounting S$20 million and above
* Moderate Risk: financial impact below S$20 million

2 **Level of risk/opportunity disclosed with potential financial impact**

CDL GET Strategy Alignment	Adaptation and Mitigation Category	Climate Change Risks or Opportunities Covered	Level of Risk[9] or Opportunity in 2030	Description of Potential Financial Impact	Priority Markets
G Growth (Design and Build)	Sustainable Construction	Green features construction cost premium		Designing and constructing new net zero buildings more cost-effectively	Singapore, China, US and UK
		Construction material cost increase (carbon price)			
		Labour cost increase due to heat stress (New)		Improving construction productivity and footprint; reducing outdoor work risk	Singapore, China
		Maintenance (Scope 1-3 GHGs), Waste and Water costs for DP			Singapore, China
E Enhancement (Manage)	Green Retrofits	Maintenance (Scope 1-3 GHGs), Waste and Water Costs for IP and Hotels		Encouraging waste recycling and reduction	Singapore, US, UK
		Energy cooling costs		Improving energy and water efficiency in accordance to latest green building standards	Singapore, China, US and UK
		Potential loss of green rental premium revenue (New)		Meeting increased customer preferences/ demand	Singapore, UK
T Transformation (Strategic review	Extreme Events Adaptation and Mitigation	Business damage and loss to due to extreme events		Avoiding or reducing exposure to extreme events risks for new developments	Singapore, UK
		Climate-related insurance premium increase (New)		Improving existing developments' resiliency to extreme events	Singapore, UK, US

Illustration – Strategy & RM (3)

ACRA Accounting And Corporate Regulatory Authority

SID Singapore Institute of Directors

City Development Limited

Key Risks and Impact

- **Top three physical risks**[6]:
  i) green construction cost
  ii) maintenance cost (carbon price)
  iii) potential revenue loss of green rental premium*
- **Top three transitional risks**[6]:
  i) energy cooling costs
  ii) drop in labour productivity (construction cost increase)[7]
  iii) insurance premium increase[7]

3 **Risks were prioritised**

- Transitional risks remain the dominant risk to CDL.
- Expected physical financial impact has almost tripled for 1.5°C scenario compared to 2°C scenario.
- For both 1.5°C and 2°C scenario, Singapore is the country with the highest estimated annual incremental financial risk.[8]

- Floods (river and flash floods) continue to be the extreme weather event that pose the largest acute physical risk to CDL.
- Estimated financial impact of year-round physical risks is more than extreme weather events. This includes climate-related insurance increase, increased labour costs due to heat stress, and energy cooling costs.
- DP are the most exposed to transition risks, whereas Hotels are most exposed to physical risks.
- Singapore is the most exposed country since it has by far the largest share of DP and IP, which are each affected by two out of the top three risks (by estimated annual incremental financial impacts).

- The likely estimated financial impact would be approximately **S$120 million** based on cost of inaction in addressing physical and transitional risks aligned with 1.5°C scenario in year 2030, against a 2019 baseline year.

4 **Cost of climate inaction was quantified**

Key Learning Points

Clear and transparent disclosures are critical to convey progress and goals

Stay simple and Be concise

Focus to provide disclosures that are relevant to investors, lenders

Preparing for the Next Chapter

ACRA
Accounting And Corporate Regulatory Authority

Poll Question

SID Singapore Institute of Directors

Out of 51 entities in the earlier study, how many mentioned “climate” at least once in **their FY2022 financial statements**?

A. Less than 5

B. 5 to 20

C. 21 or more

Impact of Climate Change Disclosed in Financial Statements (1)

Jardine Cycle & Carriage

The results of the review undertaken at 31st December 2022 on the Group's coal mining properties indicated that the consideration of impairment or reversal of impairment was not required. Significant changes to assumptions on the remaining useful lives of the coal mining properties, long-term projected prices and production levels in view of climate change related regulations could affect this assessment in the future. The results of the impairment review and assessment undertaken at 31st December 2022 on the Group's gold mining properties and related assets including goodwill indicated that no impairment charge was necessary based on a discounted cash flow analysis. Significant changes to the amount of estimated gold reserves, discount rate, projected prices and production levels could affect the valuation of these assets in the future.

Impact of Climate Change Disclosed in Financial Statements (2)

Keppel Infrastructure Trust

52. Climate Related Risks

KIT Group acknowledges that climate change poses risks to its businesses. As KIT Group expands its footprint globally, with climate change being one of the marquee global risks, KIT Group has a keen interest to manage such risks as these risks could possibly affect the Group's assets, revenue, operations, and investments.

To comply with Task Force on Climate-related Financial Disclosures ("TCFD") recommendations to identify climate-related transition and physical risks, a transition and physical risk assessment which comprised a mix of "chronic" and "acute or extreme" events was undertaken. The potential impact related to the transition and physical climate risks present a worst-case and extreme scenario to inform future strategy and planning, as such, the possibility of an outflow of economic resources is remote, thus neither provisions nor contingent liabilities are recognised nor require further disclosure.

Key Areas of Review Focus (2)

Macroeconomic environment

Key risks: Inflation, rising interest rates

Impact on:

- PPE, goodwill, intangible assets – impairment
- Borrowings – compliance with debt covenants
- Going concern

Global unrest

Key risks: Trade sanctions, supply chain disruption, damaged/slow-moving inventory

Impact on:

- Receivables – ECL
- Inventory – write down
- Provisions
- Going concern

Key Areas of Review Focus (3)

Quality Control (QC) Reviews

- ACRA's inspection powers expanded to assess the quality controls of accounting entities.
- AC to consider the accounting entities' QC review findings and/or outcomes to assess suitability as external auditors.

Audit Inspection Findings

- PAs with "Not Satisfactory" outcome to disclose findings to audit client (PIE) of inspected engagement.
- AC to work with the auditor to deep dive into root cause(s).

ACRA
ACCOUNTING AND CORPORATE REGULATORY AUTHORITY

SID SINGAPORE INSTITUTE OF DIRECTORS

Thank you

www.acra.gov.sg

Connect with us:

facebook.com/SG.ACRA

go.gov.sg/LinkedIn-ACRA

instagram.com/ACRA_SG

youtube.com/ACRAadmin

Practice Guidance

FRSP Reports

Audit Regulatory Reports

Scan Us!