

10 January 2024

**Closing remarks by Tan Boon Gin, CEO of SGX RegCo,
at the ACRA-SGX-SID Audit and Risk Committee Seminar 2024**

1. Happy New Year!
2. At this point of the sustainability reporting and climate disclosure journey, the theory of success is well established. A global consensus has developed around the ISSB standards, and I believe our ultimate goal must be to have everyone report to these standards.
3. But as we move from the realm of theory into the nitty-gritty practicalities of actually doing the disclosures, there are real world challenges as the panel discussion before me has recognized and debated. How then do we move from the theory of success, which are the standards and goals that have been established, to the practical of success in this new year?
4. Here I draw your attention to a significant milestone in 2024 for our education system which may provide lessons for us. From this year onwards, there will no more Express and Normal and Technical streams in our Singapore schools. There will also be no more O-level or N-level exams. Everyone will take a common exam. All these are happening even though our students have a wide range of PSLE scores. Instead, to cater to students of different abilities, flexibility will reside within the course of the education system itself.
5. Just like our students, listed companies too have a wide range of scores. That's what we learnt from our review of companies' sustainability reports that we conducted in November. Some companies did pretty poorly (these tended to be the smaller companies), while a few scored "top marks" (these tended to be the bigger ones). This outcome has led some to suggest that we should apply a differentiated approach such as big companies must report while small ones don't need to. However, as the education system has shown, it may not be helpful to draw such bright line rules. Let me explain.

Big companies need small companies to report

6. First, in order for big companies to report, small companies have to report too. Our small companies are deeply embedded in the value chain, so our big companies will need their climate information to report on their value chain activities. I am not just talking about traditional supply chains and the rise of the green procurement mandate. Banks too are now being asked to engage their customers to manage the climate risks they face and work with them to reduce their carbon footprint. Our small companies must meet these expectations to stay in business.
7. In other words, everyone is connected, big and small, so everyone must report for this to work. And the result, what we want, is for all companies to report to the same standard, similar to how all students will now be sitting for a common exam.

Accountability of carbon intensive companies big and small

8. Second, I think we can all agree that the priority is for carbon intensive companies to report, regardless of size. After all, they are the main contributors to what the world is grappling with now: climate change, greenhouse gas emissions and so on. So these companies will have to take responsibility for these externalities.
9. You may be aware that we have already identified the carbon-intensive industries and divided them into two buckets in our listing rules: the financial, agricultural, and energy industries, which must report based on the TCFD recommendations from FY 2023, and the building, and transportation industries, which must do so from FY 2024. What you may not know is that more than 50% of listed small and medium enterprises fall within these carbon-intensive sectors. So had we differentiated by size, their emissions would not be accounted for. Meaning that having only big companies report does not allow us to fully account for those who generate proportionately large amounts of greenhouse gas emissions relative to their economic output.
10. These are the two reasons why I think we should not have bright line differentiation between big and small companies.

Flexibility provided for

11. The next iteration then, will be for companies to report to the ISSB standard, as a common standard. At the same time, similar to the way that our school system will have flexibility built into it, the climate-reporting system also has flexibility, in the form of reliefs that the ISSB has provided in the standard itself.
12. We know that the ISSB standards are rigorous and complex, and are a level up from the TCFD recommendations which we already have in our rules. These reliefs will mean more time for companies to report to the full rigour of the ISSB requirements. On our end, we are working with key partners to guide companies on how to use these reliefs in the initial years of reporting. We will therefore help companies to apply these reliefs.
13. We also do not expect companies to produce perfect reports right off the bat. We know that this needs time, and what is important is that companies make an effort and show progress from year to year. If there is any inadequacy in the initial years of reporting, our focus will be on helping companies to fix them.
14. The key then is to make sure that support is available for those who need help. We need to look at the ecosystem and be ready to support all our companies. Do we have enough capacity, both in terms of skills and talent to meet demand and cater to both big and small companies? In that respect, I am heartened by the collaboration between ISCA and the Law Society to build a community of professional services firms that can provide sustainability services in Singapore and regionally. I hope this will make help more generally available to all companies, and dare I say more affordable.

15. In conclusion, we hear the concerns about how prepared our companies will be to meet the ISSB standards. Taking a cue from our education system, the solution is not to have one stream for big companies and another stream for small companies, which can be too blunt and demotivating. Instead let us all work together at the same time, providing guidance and support in the course of reporting, using the flexibility that is already within the standards themselves.

16. I will leave you with these thoughts and my good wishes for the year ahead!

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