

ESG Essentials for SMEs: *Kickstart your ESG Journey*



IN PARTNERSHIP WITH



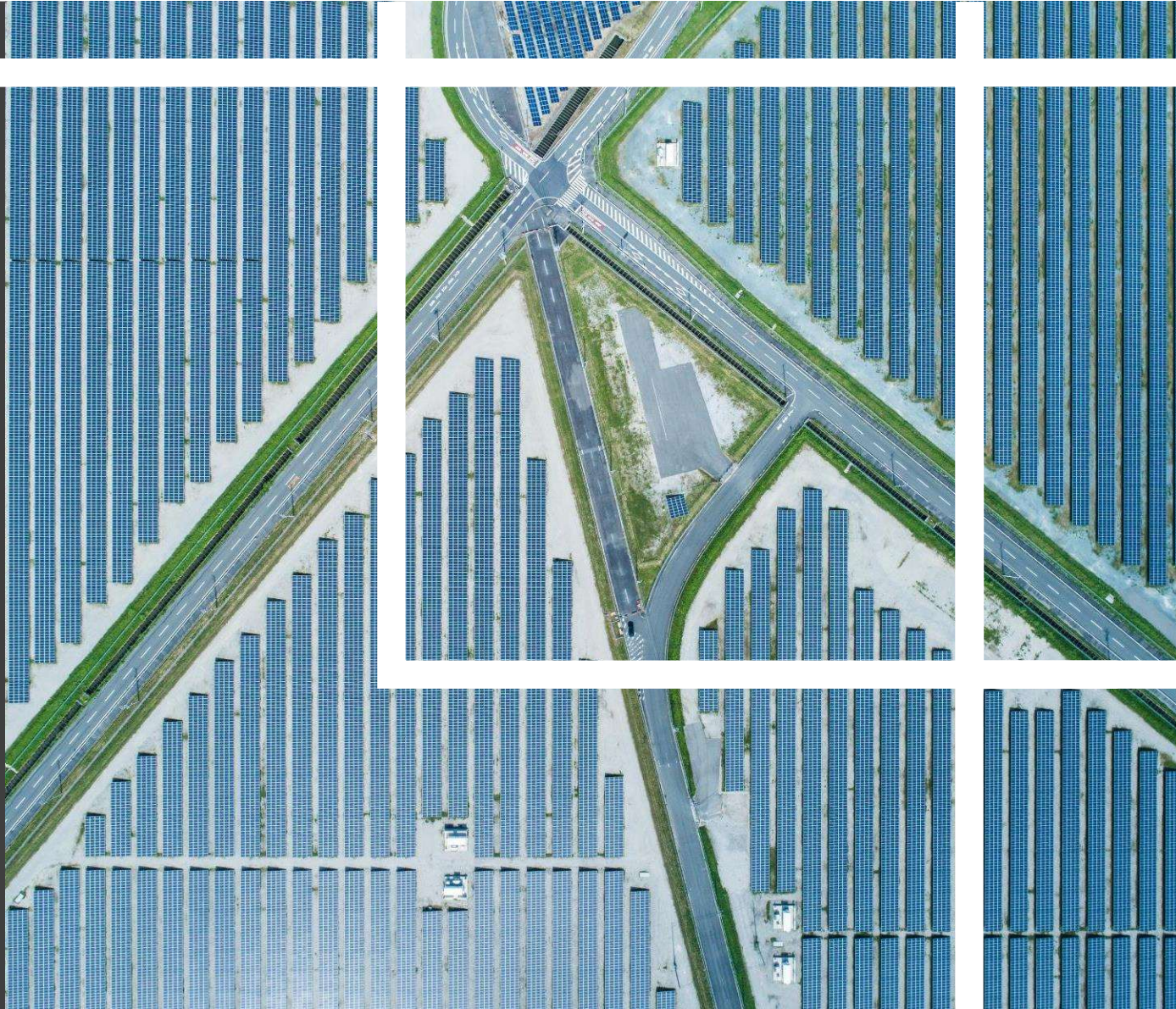
Climate Change Vulnerabilities

ESG Essentials for SMEs:
Kickstart your ESG Journey



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Understanding Climate Change

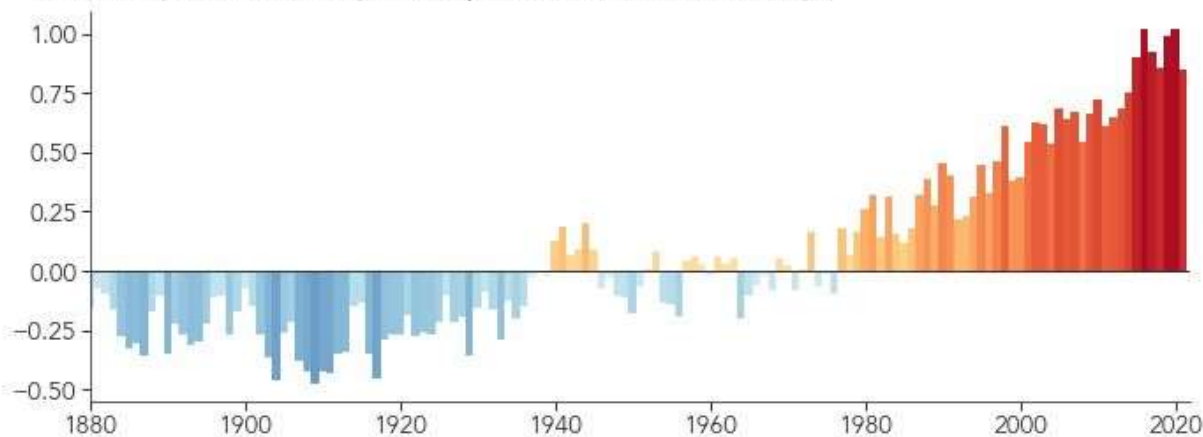


What is Climate Change?

Climate change refers to long-term shifts in temperatures and weather patterns

2021 ties 2018 for Sixth Warmest Year on Record

Global Temperature Anomaly (°C compared to the 1951-1980 average)



Source: [Earth Observatory, NASA](#)

- These shifts may be natural, such as through variations in the solar cycle
- However, since the 1800s, **human activities** have been the **main driver** of climate change, primarily due to **burning fossil fuels** like coal, oil and gas
- Burning fossil fuels generates **greenhouse gas emissions** that trap the sun's heat and raise temperatures

What does Climate Change mean in the Singapore context?

- Sea level rise and **flood events** pose an existential threat to coastal low lying countries
- **Rising temperatures** are worsened by urban heat island effect
 - Local temperature rose by 1.8°C from 1948 to 2021 - which is above the world average of approximately 1.1°C
- Increasing **severity** of wet and dry events

Surface Air Temperature

SEA Region
~1.0°C
Increase

Singapore
1.8 °C
Rise in local temp
from 1948-2021

Mean Sea Level

Global Mean Sea level rose at a rate of

1.35 mm/year from 1901-1990  3.25 mm/year from 1993-2018

Rainfall

SEA Region - Increased heavy precipitation since 1950s

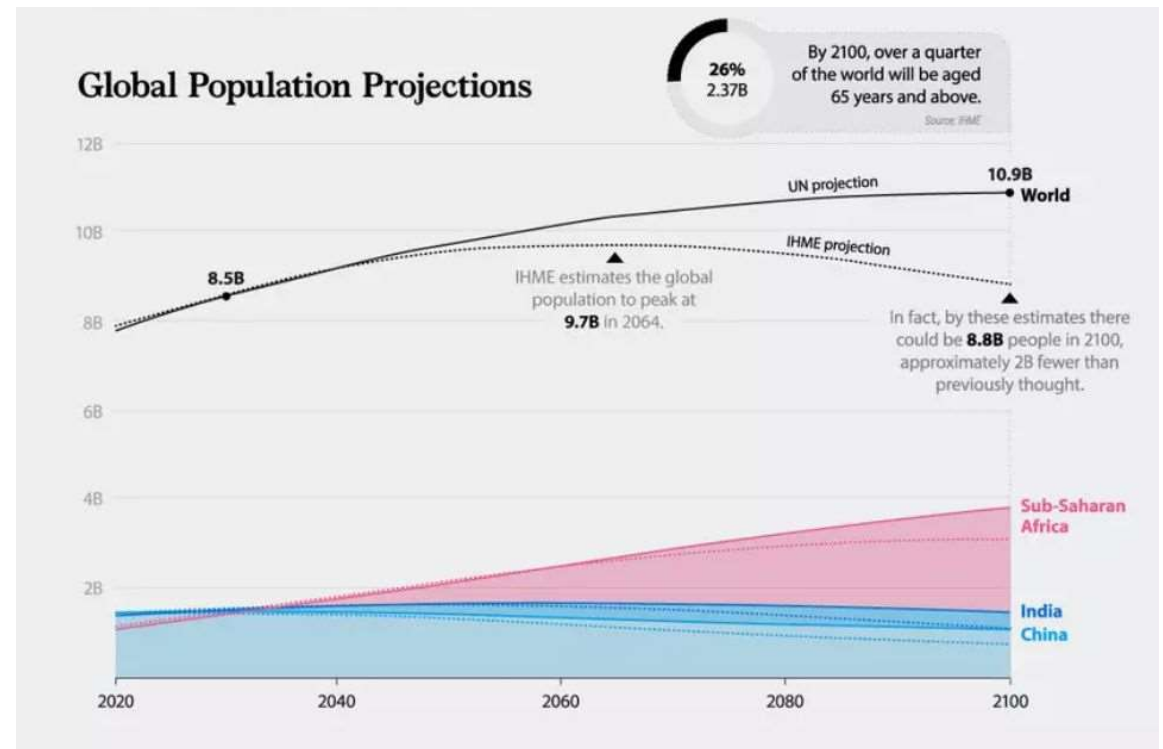
Recent trends (1980 -2019) for global precipitation show significant increases over tropical Africa, the eastern portions of Europe and North America, Central Asia and the Maritime continent

Source : [IPCC Sixth Assessment Report "The Physical Science Basis"](#), MSS, MSE

Causes of Climate Change

Impacts of Population Growth and Increasing Resource Usage

- The Earth's system has been impacted by industrial development and human expansions since the turn of the 20th century
- Since 1950, the world's population has increased from **2.5 billion** to **7.8 billion**.
- The economy is **14 times** the size it was, and **energy usage** has increased **fivefold**

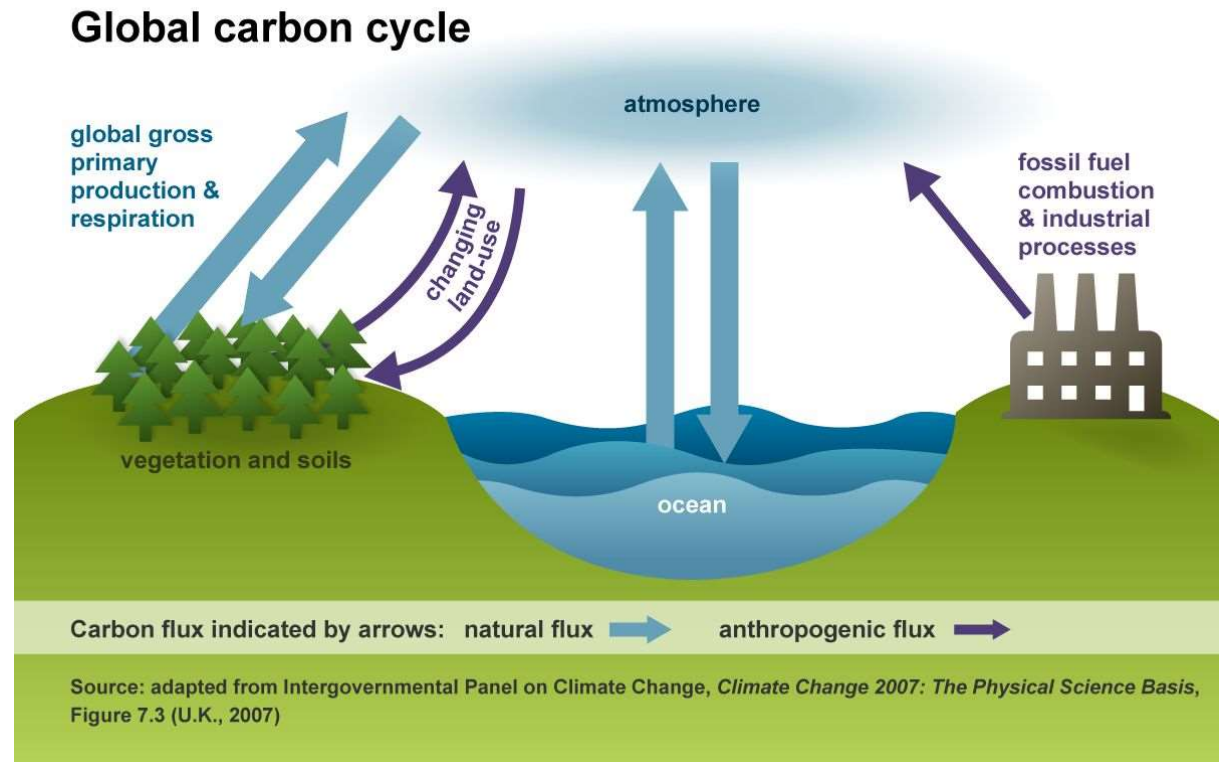


Source: [WEE](#)

Causes of Climate Change

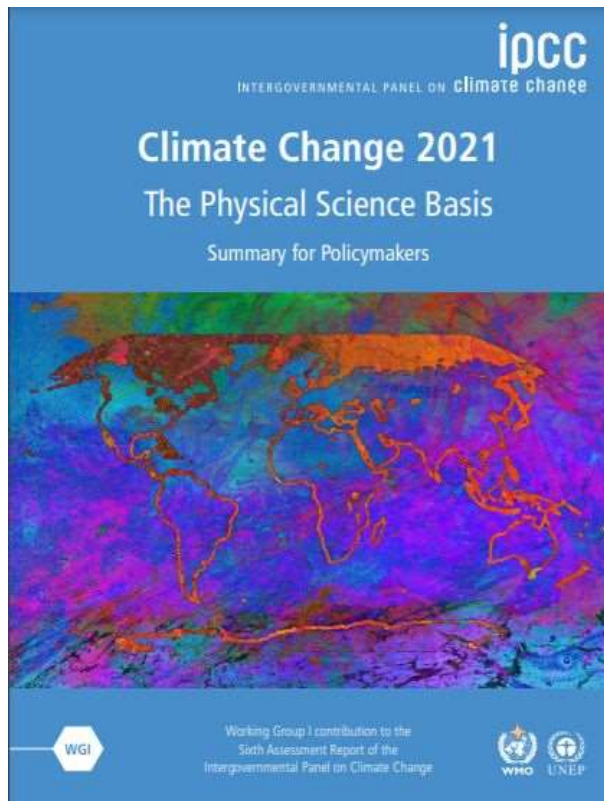
Greenhouse Gases and Global Warming

- Our energy requirements have predominantly been met by the burning of **fossil fuels, oil, coal, and natural gas**, which in turn are responsible for emissions
- These emissions **trap heat** from the sun inside the atmosphere causing Earth's average temperature to rise
- This rise in the planet's temperature is called **global warming**



Source: US Energy Information Administration

IPCC Sixth Assessment Report (AR6 WG1) - Released 9 August 2021



Salient findings from the report:

1. Human activity is the **definitive cause of climate change**
Previously, scientific consensus was that human activity was "very likely" the cause
2. The planet is most likely to exceed 1.5 degrees temperature rise by early 2030
3. There is a small window of opportunity to meet the 1.5 degrees goal, dependent on high levels of Net Zero commitments and actions

Source: IPCC

Conference of the Parties (COP)



- COP (Conference of the Parties) is a series of **United Nations climate change conferences**, which have been running since 1995
- The goal of these conferences is to **review progress** made by members of the United Nations Framework Convention on Climate Change (UNFCCC) to **limit climate change**
- Ultimate aim to combat “dangerous human interference with the climate system”
- In 2015, at COP 21 in Paris, 195 nations reached a landmark agreement to strengthen the global response to the threat of climate change - specifically, **the goal is to limit global warming to well below 2, preferably to 1.5°C, compared to pre-industrial levels**

Developments from Conference Of Parties (COP) 27



- COP27 was held in Sharm El-Sheikh, Egypt, in late 2022
- Followed COP26 in Glasgow in 2021 where countries were encouraged to strengthen their nationally determined contributions (NDCs) and bolster climate adaptation finance efforts

Key Outcomes of COP 27

Loss and damage financing

- Agreement on the need for financial resources to assist developing countries vulnerable to the adverse effects of climate change (E.g. storms, floods, droughts and wildfires). Funding arrangements are anticipated to be shared in COP 28

The 1.5 degrees celsius goal

The summit concluded without raising ambitions on reducing emissions. This could mean that the world may miss the 1.5 degrees Celsius warming target enshrined in the 2015 Paris Agreement. Now supporting it. The plan also emphasised the increased adoption of low-emission and renewable energy.

Mitigation work programme

Countries compromised and agreed for talks to debate how to structure the mitigation work programme agreed on during COP26 to continue till 2026. The work programme aims to urgently scale up mitigation ambition and implementation to limit global warming to 1.5C through immediate and sustained reductions in global greenhouse gas emissions.

World Bank reform

To reach net zero emissions by 2050, the International Energy Agency estimates that \$4 trillion needs to be invested in renewable energy every year by 2030. Countries agreed that delivering such funding will require a transformation of the financial system and its structures and called on multilateral development banks and international financial institutions to scale up and simplify access to climate finance.

Carbon trading rules

The discussions expanded on the broad framework introduced in Glasgow for a new global carbon trading scheme. The proposal outlined creating a two-tier carbon market, applying a separate set of rules depending on the buyer and their purpose for purchasing. Experts have raised concerns of double-counting and allowing shady deals to go unchecked.

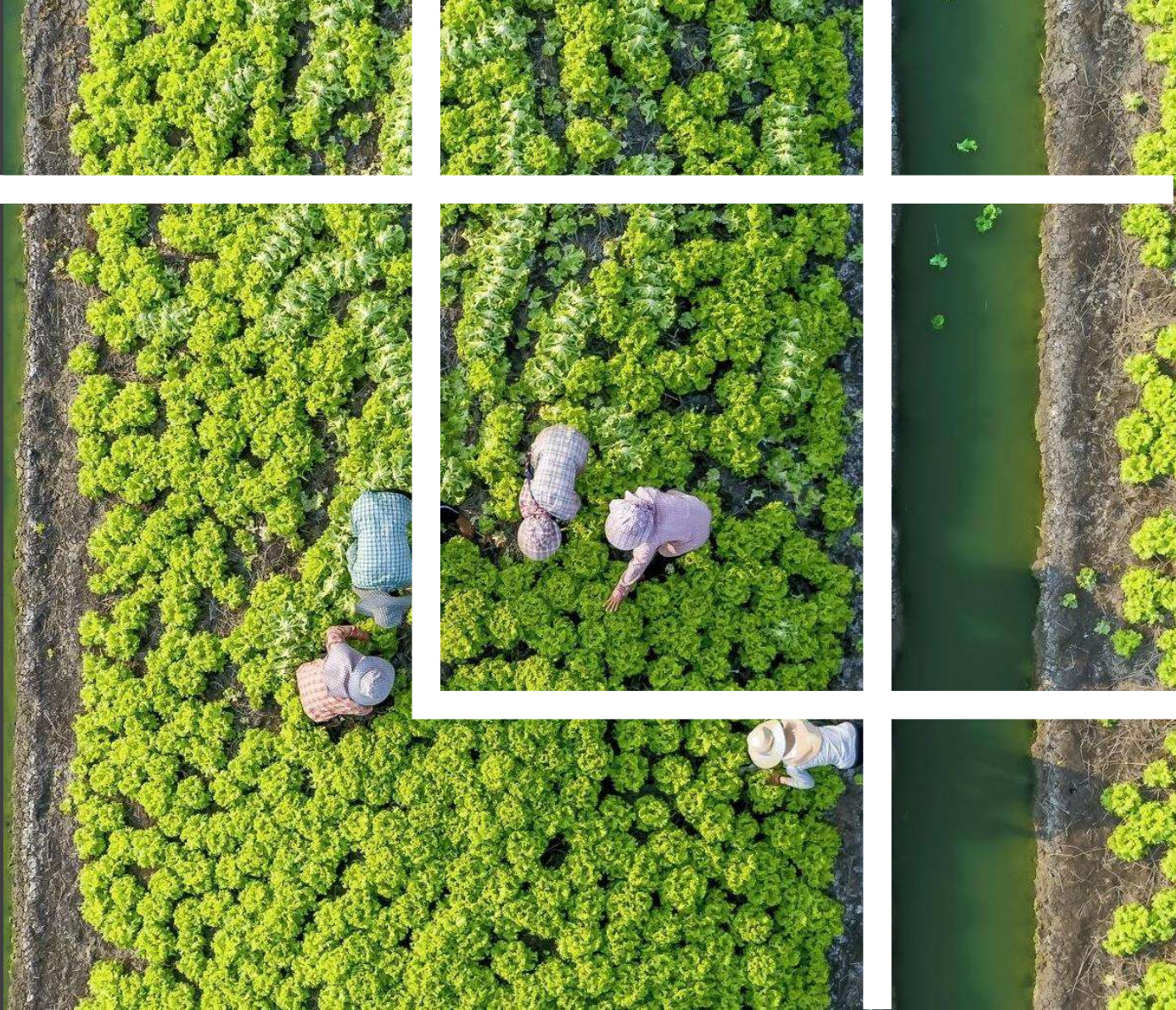
Significance for businesses



- Businesses will face greater pressure to set net-zero goals and demonstrate decarbonisation efforts
- Increasing regulatory compliance requirements on climate-related performance (E.g TCFD)
- Potential costs incurred from increasing carbon taxes
- Increasing demand for climate solutions

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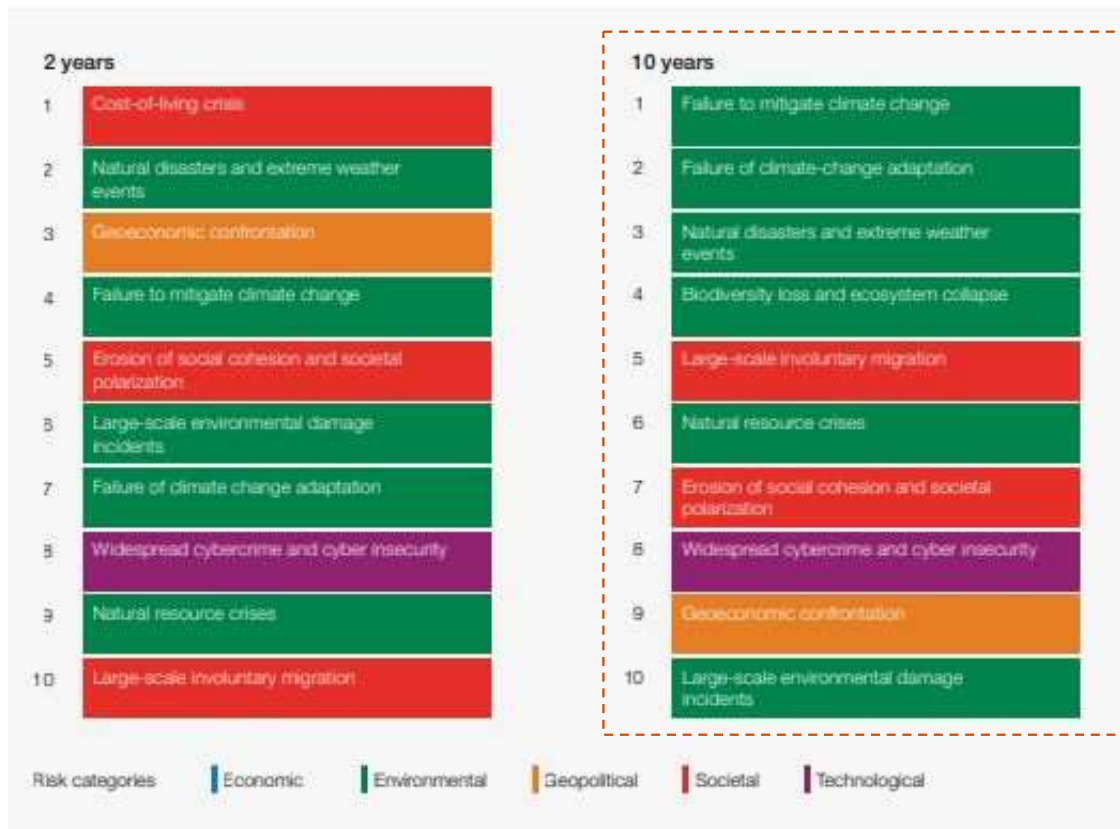
Physical and Transition Risks



Environmental issues as a global risk

Global risks ranked by severity over the short and long term

Please estimate the likely impact (severity) of the following risks over a 2-year and 10-year period

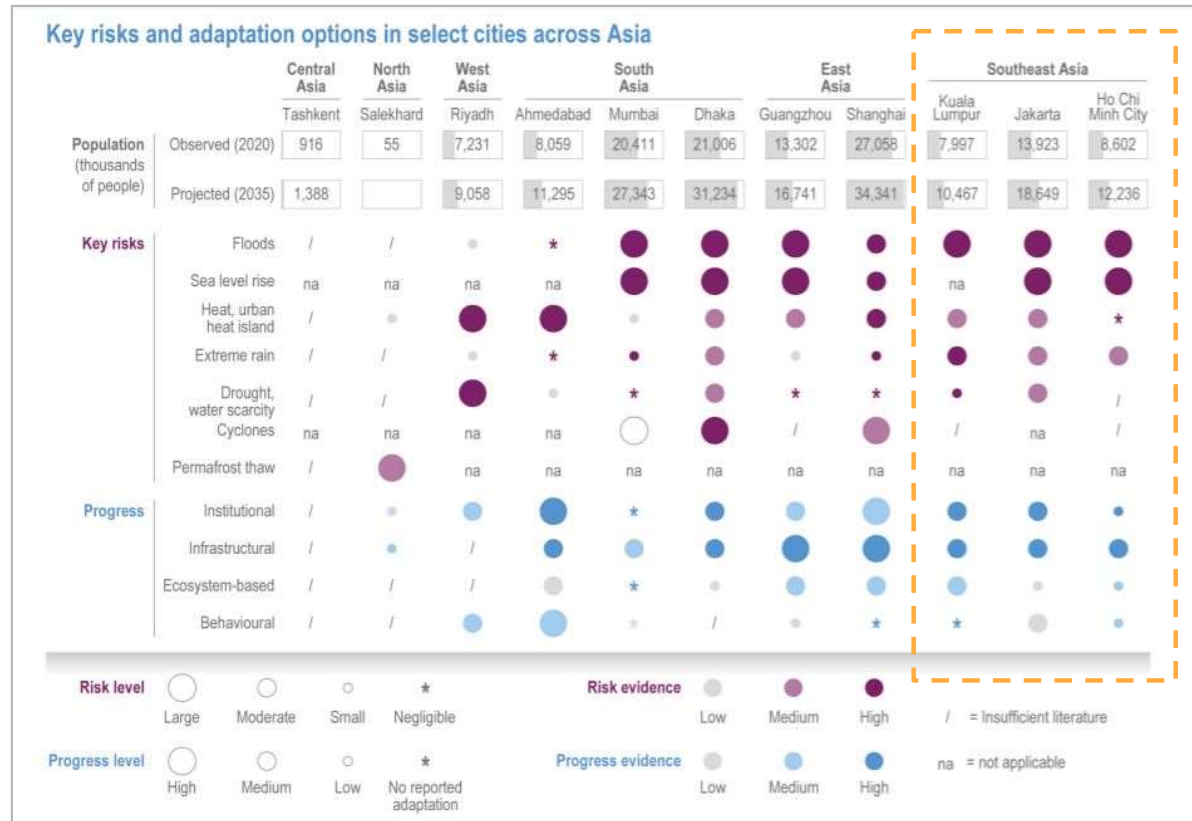
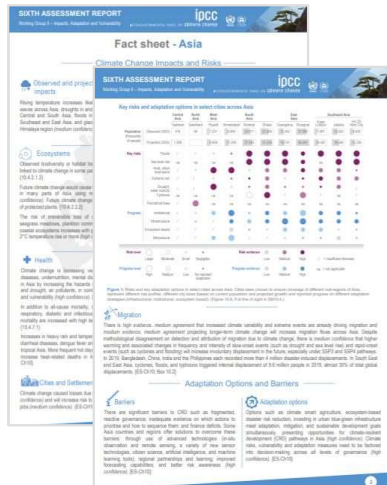


Source: [WEF Global Risks Report 2023](#)

- In the World Economic Forum's annual Global Risk Report, it was found that environment-related issues were perceived as the **most severe risks** on a **global scale** over the next ten years
- Crucial that companies understand exactly what these risks look like and how they can be addressed

Impacts of Climate Change in Asia

- Rising temperatures caused by global warming increases the likelihood of **heat waves, droughts, and floods**
- In many parts of Asia, future climate change would cause **biodiversity and habitat loss**
- Knock-on effects of climate change include **rising food and energy costs, increasing vector-borne and water-borne diseases and infrastructure damage**



Source: [IPCC Asia Fact Sheet](#)

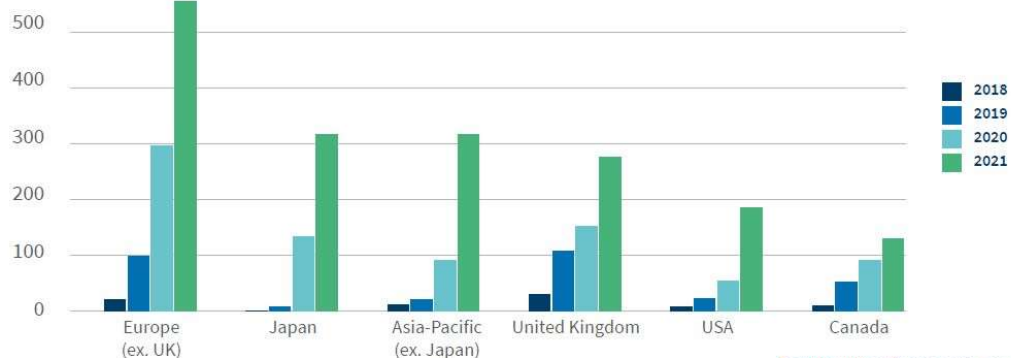
Understanding climate-related risks



- TCFD was developed to provide recommendations for more effective **climate-related disclosures** that could promote more informed investment, credit, and insurance underwriting decisions

- Enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks

Figure 5: References to TCFD in Annual Reports and Proxy Statement Disclosures by Region
(March to February each year)



Source: <https://www.sentio.com>

Source: [Harvard Law School Forum on Corporate Governance](#)

- TCFD is widely used for climate-related reporting
- Recommendations include a breakdown of the various risks and opportunities presented by Climate Change
- In Singapore, SGX has mandated climate disclosures based on TCFD on 'comply or explain' basis
- The Monetary Authority of Singapore has also set out best practices aligned with TCFD

Climate-related risks

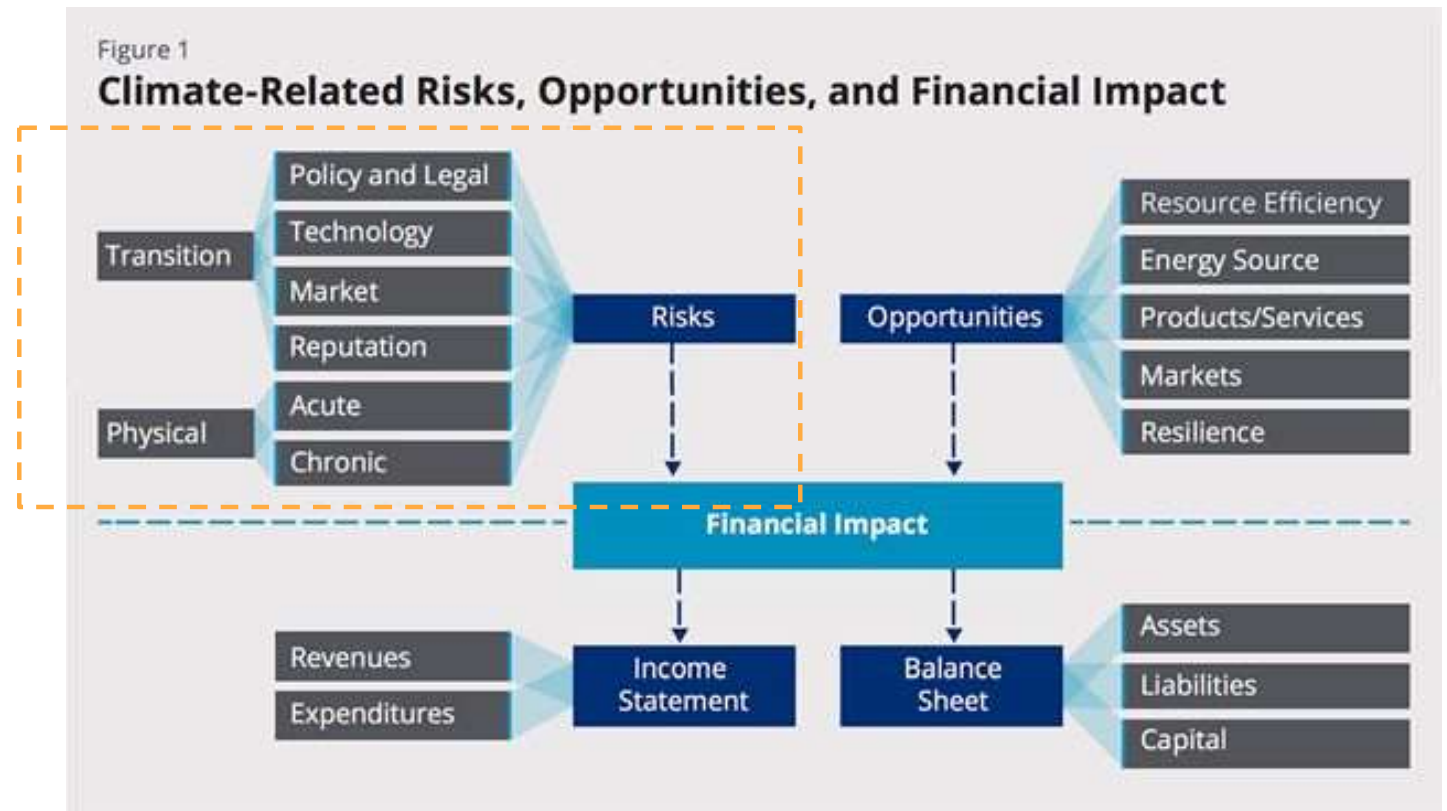
Climate Change risks are divided into:

Transition Risks

Risks related to the transition to a low carbon economy

Physical Risks

Risks related to the physical impacts of climate change



Transition risks

Risks related to the transition to a low carbon economy

- Transitioning to a low carbon economy may entail extensive policy, legal, technology, and market changes to address **mitigation and adaptation** requirements related to climate change
- Depending on the nature, speed, and focus of these changes, transition risks may pose varying levels of **financial and reputational risk to organisations**



*Policy and Legal
Risk*



*Technology
Risk*



*Market
Risk*



*Reputation
Risk*

Transition risks

Risks related to the transition to a low carbon economy



Policy and Legal Risk

- Policy actions to address the adverse impacts of CC or promote adaptation
- Carbon pricing mechanisms, switching to lower energy sources, increasing energy efficiency solutions
- Timing and nature of policy could pose a risk and increase financial impact



Technology Risk

- Technological improvements or innovations that support the transition to a lower-carbon, energy efficient economy can displace old ways of operating
- Impact competitiveness, product and distribution costs and consumer demand



Market Risk

- Supply chain disruption
- Changing demand for products and services



Reputation Risk

- Customer or community perceptions of an organisation's contribution to climate change efforts or negative impact on the environment
- Perception of greenwashing

Physical risks

Risks related to the physical impacts of climate change

- Physical risks resulting from climate change can be event driven or longer-term shifts in climate patterns
- Physical risks may have financial implications for organisations, such as **direct damage** to assets and indirect impacts from **supply chain disruption**



Acute Risk

- Event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes or floods



Chronic Risk

- Longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves

Chronic physical risks impacts



Extreme Heat

- Damage to roads, buildings, and transit **infrastructure** resulting in increased capital spending or operational costs for maintenance or replacement
- Reduction in crop yield which would affect supply and cost
- Lower productivity due to non-conducive working conditions
- Disruption to supply chains and moving business operations



Drought

- Impacts **quality, availability, accessibility, and pricing** of water and food
- May result in displacement of communities due to unlivable conditions



Sea-level Rise

- If unmitigated, could result in destroying coastal habitats and properties
- May have adverse effects on infrastructure and economic growth
- Businesses would be forced to relocate or adapt

Acute physical risks impacts

Wildfires, Hurricanes, and Flooding



Short Term Impacts

- Damage to infrastructure, property and/or inventory
- Disruption to operations due to power outages
- Disruption of supply chains due to transportation routes affected
- Contamination of soil and water resulting in health risk concerns
- Impact real estate valuation, insurance premiums and access to loans



Long Term Impacts

- Businesses forced to build resilience and adapt to new living conditions arising from increased frequency or intensity of acute physical risks
- Businesses play an important role in working with key stakeholders (e.g. governments, communities, suppliers, etc) to adapt and ensure sustaining economies
- Businesses which lead on mitigation and adaptation measures will gain a competitive advantage and increase company longevity

Significance for businesses



Transition Risk

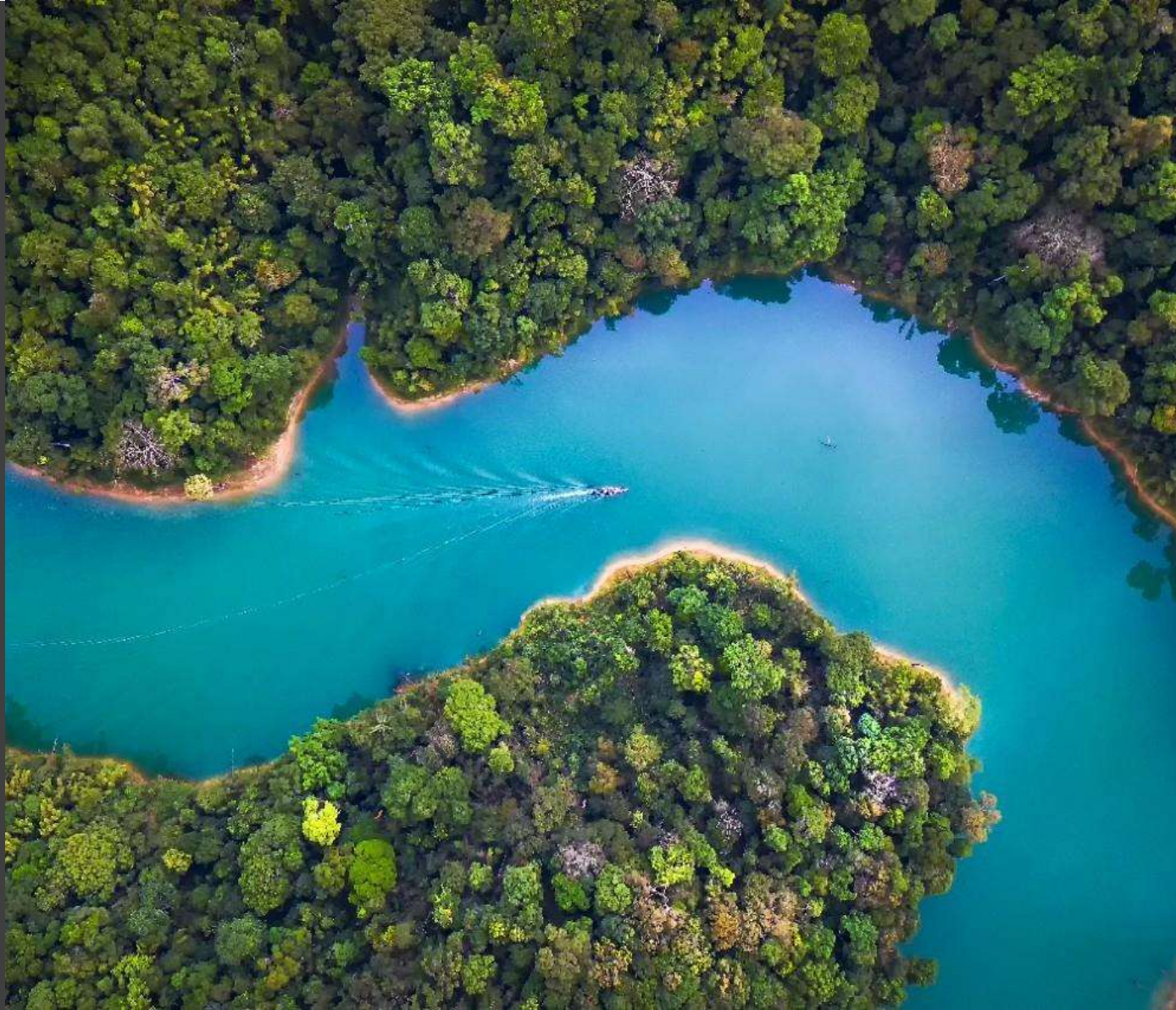
- Develop capabilities to adhere to emerging regulation
- Adopt industry best practices in terms of reporting and disclosure
- Adapt to changing consumer preference for more sustainable products
- Innovate to keep up with technological advancement to avoid risk of current technologies becoming irrelevant
- Decrease dependence on carbon-intensive products to avoid facing increased costs through carbon cost pass throughs

Physical Risk

- Understand the physical risks associated with the industry and region
- Adopt mitigation and adaptation strategies to reduce the physical climate impact

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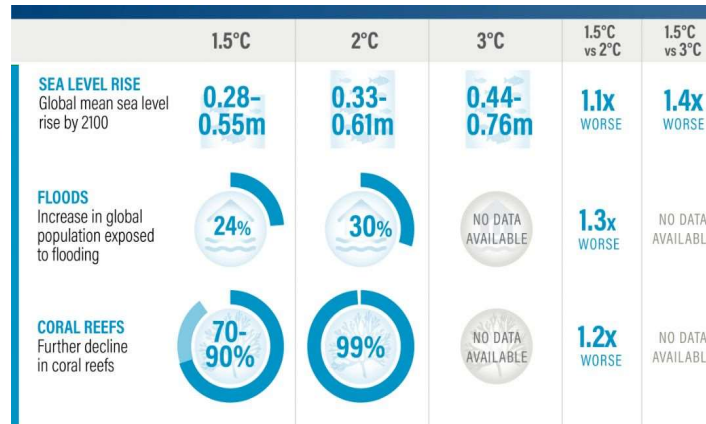
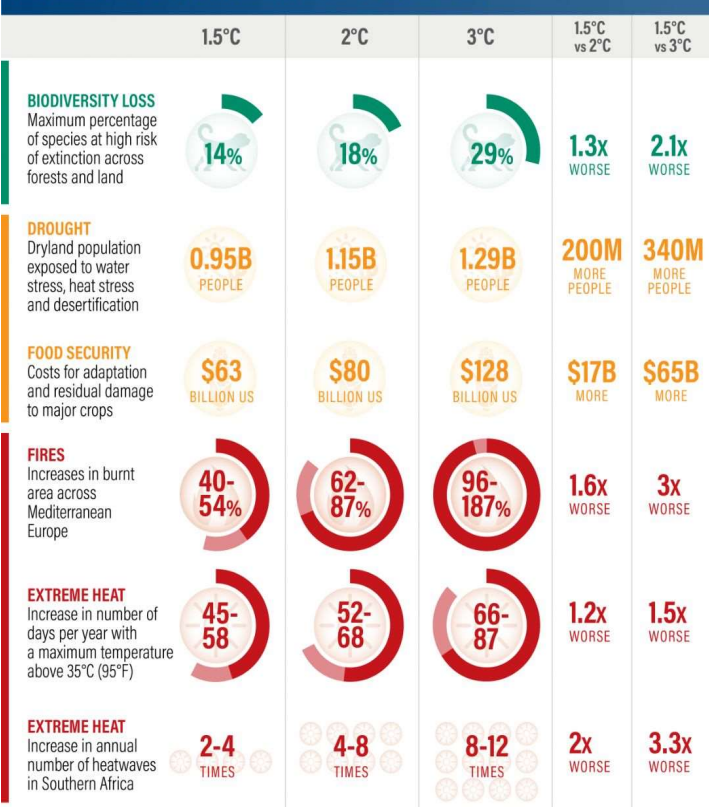
Climate Scenarios



Achieving a 1.5°C scenario is critical

However, even with that, climate change effects are notable

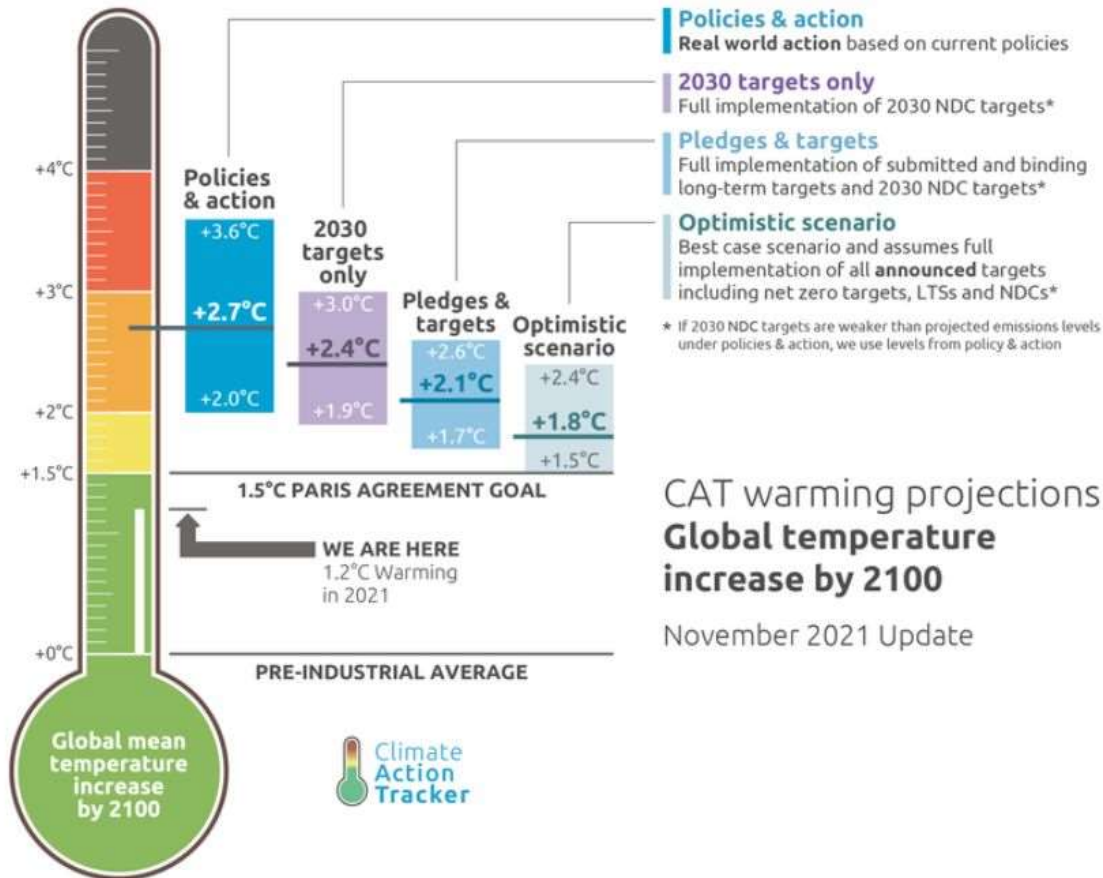
COMPARING RISKS FROM RISING TEMPERATURES: EXPLAINING THE IPCC'S WORKING GROUP II REPORT (AR6)



Note: For climate risks with projected ranges, we used the midpoint of the ranges to compare risks at different temperature thresholds. Sea level rise projections correspond to SSP1-1.9, SSP1-2.6, SSP2-4.5, which are roughly approximate to global warming of 1.5°C, 2°C, and 3°C, respectively.

- A study conducted by the Intergovernmental Panel on Climate Change (IPCC) shows that half a degree of warming is significant in terms of climate change
- The findings show that the world will face **severe climate impacts** even with 1.5 °C of warming, and the effects get significantly worse with 2 °C
- To date, the world has witnessed approximately 1.1 °C of temperature rise

What are climate scenarios?



- Climate scenarios are **hypothetical future states** under different levels of global warming and states of transition to a low carbon economy
- Often make use of climate projections by manipulating model outputs and combining them with observed climate data
- Projections refer to descriptions of the modelled response of the climate system to scenarios of greenhouse gas and aerosol concentrations

What is Climate Scenario Planning?

PwC's Climate Scenario Planning

- Forward-looking view into how different types of climate-related **risks and opportunities** may impact an organisation
- Useful tool for understanding the implications of climate change for your business and to prompt longer term strategic thinking about risks and opportunities
- It is useful to consider at least **two distinct scenarios**:
 - One in which rapid decarbonisation achieves a 1.5°C outcome
 - Another where emissions remain high and physical climate impacts dominate (e.g. BAU or significant warming)
- By applying a number of possible futures to your business, you can test strategic resilience and management response options.

Scenario	Paris-aligned scenario (well below 2°C)	No mitigation scenario (4°C)
Rationale	We selected this scenario to assess the transition impacts for us in an economy shifting to a low carbon world. It reflects actions needed by the energy sector to limit global warming to under 2°C, and integrates three energy-related UN Sustainable Development Goals (SDGs): address climate change, achieve universal energy access, and improve air quality.	We selected this scenario to assess our physical risk under a high-emissions scenario, consistent with a future with limited policy changes to reduce emissions.
Underlying model	International Energy Agency's Sustainable Development Scenario	IPCC Representative Concentration Pathway 8.5
Used to analyse	Transition impacts	Physical impacts
Assumptions	Transition features: <ul style="list-style-type: none"> • Carbon price introduced (up to US\$140/tCO₂ by 2040) • Fossil fuel subsidies phased out by 2050 in net-importers and by 2035 in net-exporters • Expanded support for deployment of Carbon Capture and Storage (CCS), increased generation from renewables and nuclear 	Physical features: <ul style="list-style-type: none"> • Global emissions continue to rise as a result of high carbon intensity of the energy system • Global mean sea level rise of 0.63m by 2100 • Very high frequency and intensity of heat waves and extreme precipitation events

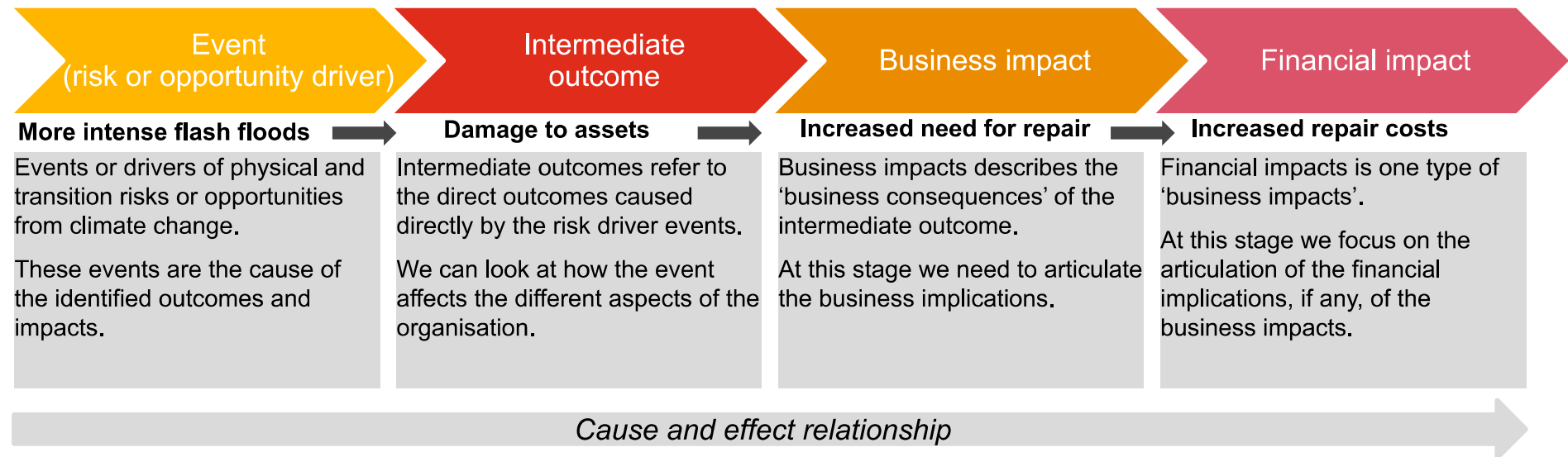
Source: [PwC TCFD Report](#)

Prioritising the business and financial impacts

Using impact pathways

Impact pathways are commonly used in academic and government settings, and increasingly now in business, as a means to map out visually the cause-and-effect process. Within a participatory and collaborative setting, impact pathways can help different stakeholders come to agreement on key drivers and their impacts or consequences on the organisation.

In the context of climate risk and opportunities, the process involves **identifying the risk or opportunity driver** (for example an extreme weather event, or an impending carbon regulation), **tracing through the immediate and intermediate outcomes** of the driver, and finally **translating these outcomes into impacts on the business**. The diagram below illustrates an example of this.



Regulatory Landscape

ESG Essentials for SMEs:
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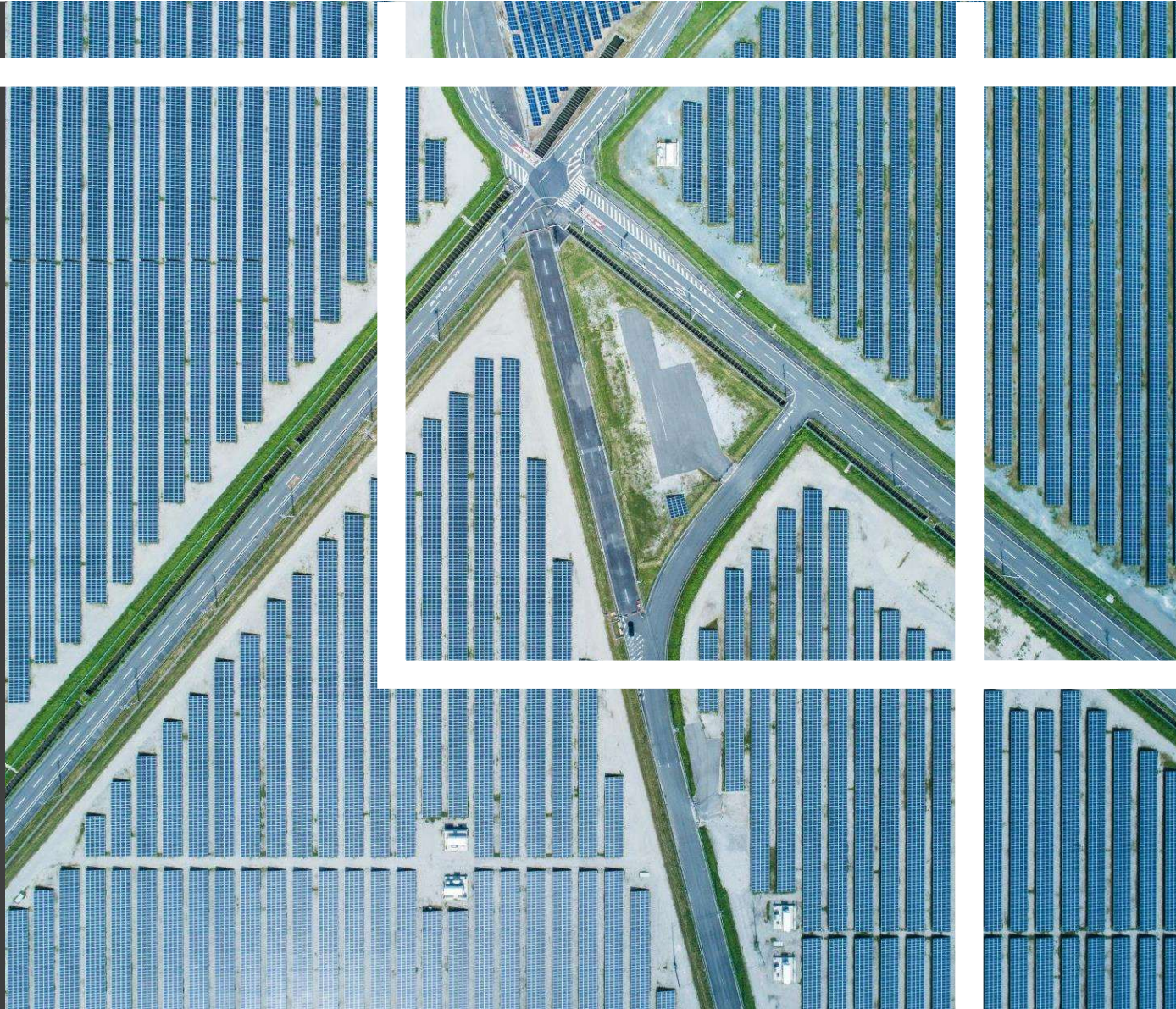


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Singapore ESG-Related Regulations



Key sustainability-related regulations and expectations in Singapore



SGX
Sustainability Reporting

MAS
Environmental Risk
Management Guidelines

MSE
Carbon Tax

SG Green Plan
Green Procurement
Policies

2050 Long-term Low
Emissions Development
Strategy

Resource Sustainability
Act

SGX sustainability reporting on climate and diversity



- The Stock Exchange of Singapore (SGX) introduced sustainability reporting on a "comply or explain" basis in June 2016.
- SGX believes that the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects and quality of management
- SGX announced new **mandatory** inclusions into sustainability reporting which have been effective since 1 Jan 2022.
- SGX provides a "Sustainability Reporting Guide" that companies can reference

Aspects included:

- ❑ Climate-related disclosures
- ❑ Board diversity
- ❑ Sustainability training for directors
- ❑ Sustainability reporting assurance
- ❑ A common set of core ESG metrics

SGX sustainability reporting on climate and diversity

Climate-Related Disclosures

Who and When ...

- Aligned to Taskforce for Climate-Related Financial Disclosures (TCFD)
- Required Scope 1, 2 and 3 (if material) GHG emissions & scenario analysis



A Common Set of Core ESG Metrics

- 27 commonly reported metrics - not mandatory but intended as starting point
- Mapped to GRI, SASB, TCFD and WEF



Sustainability reporting and directors' duties

SGX requirements:

- SGX mandates that directors attend a sustainability course to ensure that boards have common knowledge of their roles and responsibilities
- Sustainability reports must contain a **Board statement** and **associated governance structure** for sustainability practices
- Under the Code of Corporate Governance, the Board is responsible for a company's **strategic formulation**, which includes **sustainability issues**
- The Board should determine the ESG factors identified as **material to the business** and see to it that they are **monitored and managed**

Code of Corporate Governance

*“Under the Code of Corporate Governance, the Board is collectively responsible for the **long-term success** of the issuer. It provides strategic direction and specifically considers **sustainability issues** as part of its **strategic formulation**. The Board has **ultimate responsibility** for the issuer’s sustainability reporting.”*

Board Statement in Sustainability Report

*“The sustainability report should contain a **Statement of the Board** that it has considered sustainability issues in the issuer’s business and strategy, determined the **material ESG factors** and overseen the management and monitoring of the material ESG factors.”*

SGX Sustainability reporting on climate and diversity



Board Diversity

- Companies to set a board diversity policy that addresses gender, skill and experience, and other relevant aspects of diversity
- Disclose in Annual Report: policy and details such as diversity targets, plans, timelines and progress



Sustainability Training for Directors

- “First time Director” training to include sustainability component
- All directors must undergo sustainability training



Sustainability Reporting Assurance

- Internal auditing of sustainability reporting. External assurance is not mandated at this juncture
- Sustainability reports are to be issued with annual report (within 4 months of financial year end) unless subject to external assurance (5 months)

Significance for Singapore SMEs



- SMEs listed on SGX or looking to list on SGX will have to adhere to prevailing requirements
- SMEs supplying companies listed on SGX may face more stringent **procurement requirements** and potentially have to **disclose their carbon footprint and supply chain practices**

MAS guidelines on environmental risk management for banks, asset managers and insurers

- Guidelines that set out MAS' expectations on environmental risk management for all banks, insurers, fund management companies and real estate investment trust managers.
- The guidelines cover:
 - Governance and strategy (all)
 - Risk management (all)
 - Disclosure of environmental risk information (all)
 - Underwriting (Insurers)
 - Investment (Insurers)
 - Research and portfolio construction (asset managers)
 - Portfolio risk management (asset managers)
 - Stewardship (asset managers)



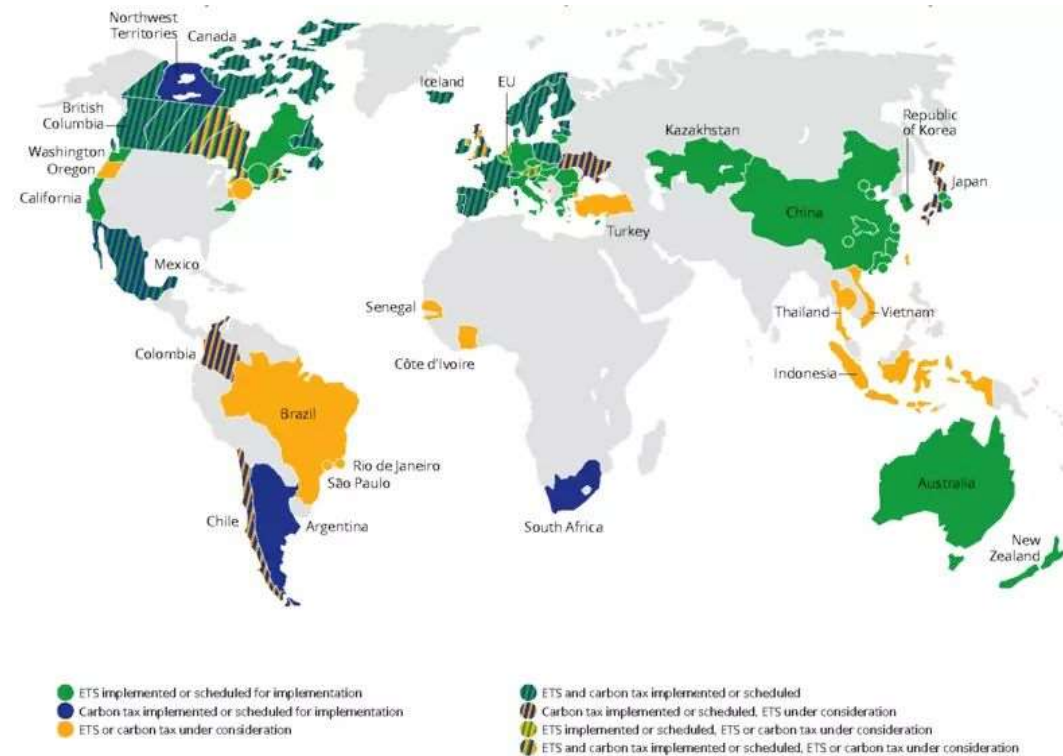
(Issued 08 December 2020)
Source: MAS

Singapore's carbon tax

What is a Carbon Tax?

A government set price that emitters must pay for **each tonne of greenhouse gas emissions they emit.**

- To incentivise businesses and individuals to take steps to lower their carbon impact through reducing their energy consumption, switching energy sources or adopting new technologies.
- Over 70 jurisdictions in the world have implemented, or have plans to implement carbon pricing.



Source - [WEE](#), Carbon Pricing Initiatives

Singapore's carbon tax



Ministry of Sustainability
and the Environment
— SINGAPORE —

Singapore context

- In 2019, the Singapore government introduced a tax on carbon emissions with the first tax payment in 2020 based on 2019 annual emission
- In Singapore's 2022 Budget, the country set a target of achieving **net-zero carbon** emissions by or around mid-century
- To achieve this, the government intended to raise the carbon tax from **\$5** per tonne of emissions to **\$25** in 2024
- In November 2022, parliament passed an amendment to the Carbon Pricing Act formalising the increase to **\$25/ton in 2024-2025** and **\$45/ton in 2026** and beyond.
- The progressive increases will set Singapore on a trajectory to reach between **S\$50 and S\$80** per tonne by 2030

- ❑ The tax is applied on the total **direct emissions** of facilities that emit **25,000 tCO₂e** or more of emissions annually.
- ❑ This limits the coverage of the carbon tax to around **40-50 businesses** that account for more than **80%** of Singapore's total emissions.

SINGAPORE BUDGET 2022

Carbon tax increase

Currently	S\$5 per tonne
2024 & 2025	S\$25 per tonne
2026 & 2027	S\$45 per tonne
By 2030	S\$50 to S\$80 per tonne

Source - [CNA](#)

Significance for Singapore SMEs



- Carbon tax only applies to a small number of high-emitting companies.
- Unlikely that most SMEs will be directly affected by the carbon tax in the short run.
- SMEs may face **indirect** impact through increase in electricity costs in the short term.
- In addition, SMEs that are customers of high-emitting companies may face a **carbon cost pass through**, where companies pass on carbon tax cost to their consumers, thus raising the cost of goods or services.
- At S\$25 per tonne, it is estimated that the rise in carbon price would translate to an estimated increase of about S\$4 per month in utility bills for an average four-room Housing Board household

HOW A CARBON TAX WORKS

1 INTRODUCE A TAX ON EMISSIONS

- Carbon tax will generally be applied upstream, for example, on power stations and other large direct emitters.
- Businesses can choose to reduce emissions or pay a carbon tax.

2 ENCOURAGE ENERGY EFFICIENCY & SUPPORT MORE GREEN ACTIONS

- Businesses are motivated to improve their energy efficiency.
- Consumers are encouraged to use less electricity and save energy.
- Carbon tax revenue will help to fund measures by industry to reduce emissions and provide appropriate measures to ease the transition.

3 LOWER CARBON, GREENER ECONOMY

- Lower emissions lead to a greener planet.
- Businesses become more resource-efficient and sustainable.
- More opportunities in green growth sectors, such as clean technology.

Resource Sustainability Act

To be covered in detail in Module 3



Ministry of Sustainability
and the Environment

— S I N G A P O R E —

Passed in 2019, the **Resource Sustainability Act** is aimed at building a sustainable, resource-efficient and climate-resilient nation

- Legislates regulatory measures which target the three priority waste streams that have relatively **high generation** and **low recycling rates**
 - E-waste
 - Food waste
 - Packaging waste, including plastics.

Electrical and Electronic Waste:

Extended Producer Responsibility

Food waste:

Segregation for treatment

Packaging waste:

Mandatory Packaging Reporting Framework

Singapore Green Plan - Green procurement



Key Targets (as of 2022)

- National Emissions Target
- Green Citizenry
- Green Government
- City in Nature
- Sustainable Living
- Energy Reset
- Green Economy
- Resilient Future

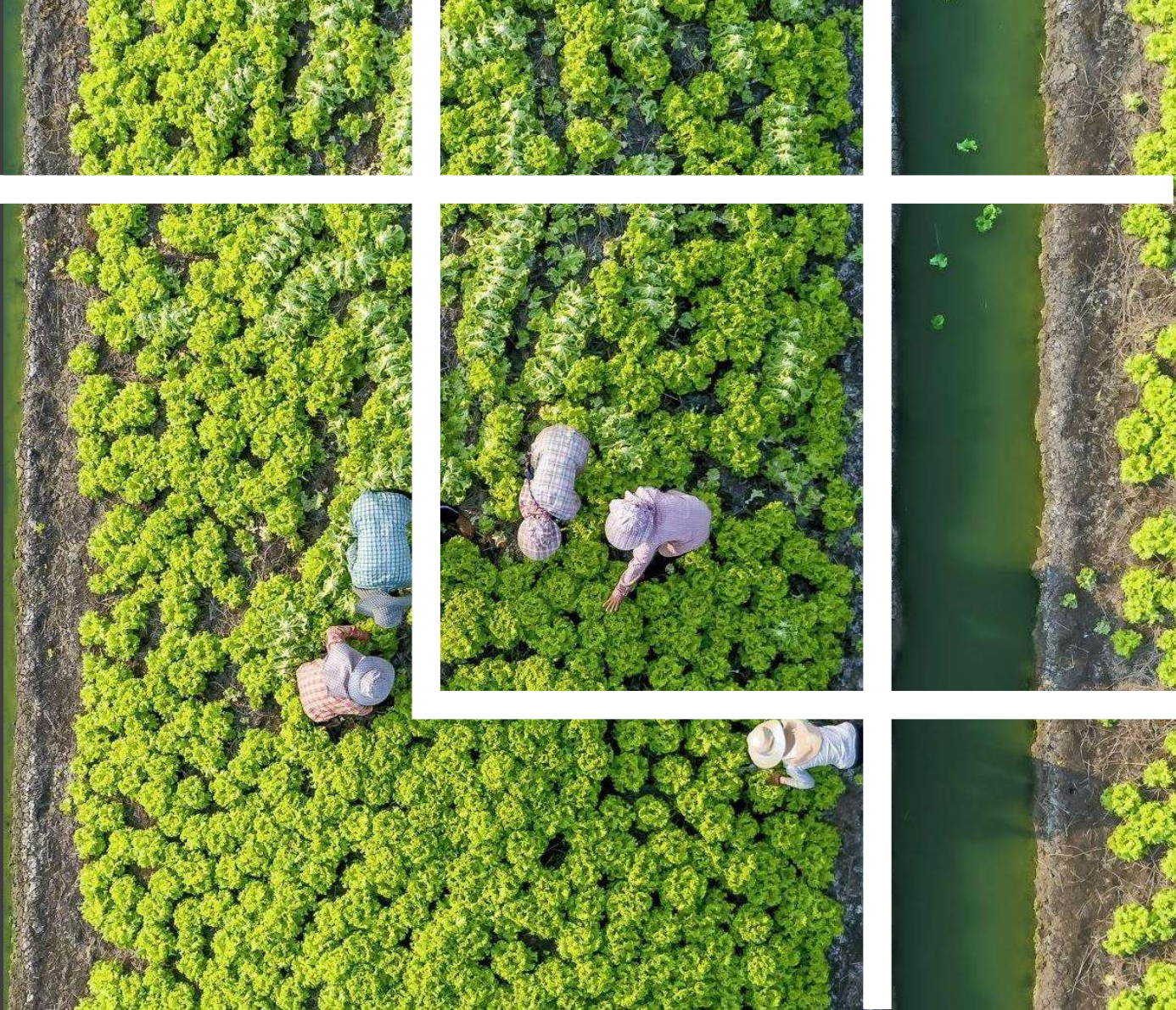
- The SG Green Plan is a whole-of-nation movement to advance Singapore's national agenda on sustainable development.
- Positions Singapore to achieve net zero emissions by or around mid-century.

Green Procurement

- Green procurement refers to purchasing products and services that cause minimal adverse environmental impacts
- In practice, this could mean procuring energy efficient appliances for the office
- In production process, this could mean prioritising environment-friendly materials, parts, and products when necessary resources are purchased

2

Global ESG-Related Regulations



Timeline of the latest developments in ESG and climate risk reporting

Corporate Sustainability Reporting Directive (CSRD)

April 2021
European Commission aims at bringing sustainability reporting on par with financial reporting.

Sustainable Finance Disclosure Regulation (SFDR)

March 2021
European Commission introduces mandatory ESG disclosure for asset managers and other financial market participants.

MAS Guidelines on Environmental Risk Management for Financial Institutions

December 2020
Set out expectations on environmental risk management for all banks, insurers, fund management companies and real estate investment trust managers.

U.S. Securities and Exchange Commission (SEC)

March 2021
The Commission welcomes public inputs on its disclosure rules and guidance as they apply to climate change disclosures, and whether and how they should be modified.

IIRC and SASB merge to form the Value Reporting Foundation (VRF)

June 2021
Comprehensive suite of tools to assess, manage and communicate value.

International Sustainability Standards Board (ISSB)

July 2021
IFRS Consultation on amendments to the Foundation's constitution, for a new International Sustainability Standards Board.

Sustainability Disclosure Requirements (SDR)

July 2021
Economy wide regime requiring businesses in the UK to disclose climate and environment-related risks and impacts.

ISSB is launched at COP 26

October-November 2021

SGX Mandates Climate and Board Diversity Disclosures

December 2021
Effective for financial years commencing on or after 1 January 2022.

SGX Consultation Papers – Amendments to Sustainability Reporting in Singapore

August 2021
SGX released consultation papers discussing the potential mandatory inclusions into sustainability reporting.

ISSB publishes 2 Exposure Drafts

March 2022
Exposure drafts released for consultation, uses TCFD pillars for structuring core content

GRI 2021

GRI Universal Standards coming into effect in 2023

Global regulatory landscape

- In recent years, the sustainability regulatory landscape appears to be coalescing around 3 main groupings - ISSB, EFRAG and the SEC



European Financial Reporting Advisory Group (EFRAG)

Released guidance in April 2022 on a range of sustainability-related disclosure requirements, including the European Sustainability Reporting Standards (ESRS)

- ESRS will help inform the EU's Corporate Sustainability Reporting Directive (CSRD)
- Will impact -
 - Large companies in the EU
 - Companies with listings in the EU
 - Certain non-EU companies with EU subsidiaries



U.S. Securities and Exchange Commission

Released a proposal in March 2022, "Enhancement and Standardization of Climate-Related Disclosures for Investors"

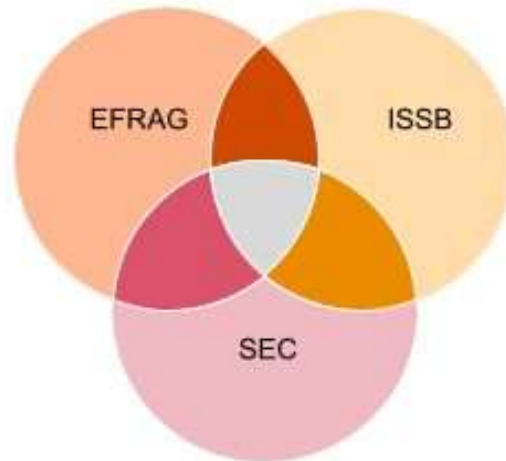
- Focuses on the protection of investors in publicly traded companies in the U.S.
- Applies to all SEC registrants including foreign private issuers



International Sustainability Standards Board (ISSB) - International Financial Reporting Standards (IFRS) Foundation

Released two exposure drafts in March 2022, (1) General Requirements for Disclosure of Sustainability-related Financial Information and (2) Climate-related Disclosures

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



Global regulatory landscape



Theme	EFRAG	ISSB	SEC
Topics in scope	<ul style="list-style-type: none"> Proposed standards span a broad list of environmental, social, and governance topics, including one dedicated to climate disclosures 	<ul style="list-style-type: none"> Proposed standards address climate and other sustainability risks Additional standards are expected in the future 	<ul style="list-style-type: none"> Proposed rule addresses climate-related risks A rule addressing human capital is expected in the future
Industry standards	<ul style="list-style-type: none"> Sector-specific standards are in development 	<ul style="list-style-type: none"> ISSB has committed to be as interoperable as possible with major standards including EFRAG, GRI and TCFD 	<ul style="list-style-type: none"> Industry-specific disclosures are not required
Location of disclosures	<ul style="list-style-type: none"> Disclosure would be included within a dedicated section of the management report No financial statement footnote disclosure would be required 	<ul style="list-style-type: none"> Disclosure would be included as part of general purpose financial reporting – such as in management commentary, but with flexibility on location No financial statement footnote disclosure would currently be required 	<ul style="list-style-type: none"> Disclosure would be included in a separate section of the annual report or registration statement A financial statement footnote would include disclosure of the impact of severe weather and transition-related activities

Source: [PwC UK](#)

Global sustainability regulations - Significance for Singapore SMEs



- SMEs supplying companies in the jurisdictions with strict ESG regulations (e.g. EU, UK and USA) may face increased ESG-related disclosure requirements
- Global investors investing in Asia may opt for companies with stronger ESG practices as part of their taxonomy mandates

Regulatory landscape in Asia

Increasing requirement for ESG Disclosures

Thailand

SEC's Corporate Governance Code requires sustainability reporting with a choice of framework (GRI is common)

Indonesia

Listed companies are required to publish Sustainability reports

Philippines

Sustainability reporting in annual report on a comply or explain basis. Reporting template built on GRI and TCFD

India

Business Responsibility Report (BRR) reporting on ESG required for listed entities
Securities regulator recommended that Integrated Reporting is adopted

Malaysia

ESG reporting is required as a listing rule
Narrative statements on economic, environmental and social (EES) risks and opportunities to be included in annual reports

Japan

Mandates top 600 listed companies to disclose climate impact based on TCFD by March 2023. After 2023, all public companies have to report as well

Hong Kong

ESG reporting on a comply or explain basis

Taiwan

Listed companies to have CSR reports.
Sector-specific disclosures based on GRI

China

Voluntary sustainability reporting, requirements for listed companies to disclose social-responsibility-related information
GRI is most commonly used

South Korea

Voluntary reporting
50 largest companies have ESG disclosures

Australia & New Zealand

Corporate governance codes that recommend disclosure of ESG risks for listed companies
Australian legal requirements on disclosure of non-financial information related to the Modern Slavery Act

Significance for SG SMEs



- Companies that do not integrate ESG practices and reporting risk becoming irrelevant if they are unable to **demonstrate alignment** with sustainability requirements for their **customer's compliance needs**
- As requirements for measurement and disclosure increase, SMEs that are part of larger supply chains can **differentiate themselves** with strong ESG reporting and practices, which can provide a competitive advantage

Thank you

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