Public consultation on Exposure Drafts of the Singapore Sustainability Disclosure Standards

A public consultation issued by the Interim Sustainability Standards Committee (Interim SSC) established by the Accounting and Corporate Regulatory Authority

Comments from ACCA to the Interim SSC

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General comments

ACCA supports the development of the Singapore Sustainability Disclosure Standards (SDS) based on the International Sustainability Standards Board (ISSB) Standards, which provide a global baseline for sustainability-related financial disclosures and have received the endorsement of the International Organization of Securities Commissions (IOSCO). We welcome Singapore's objective of aligning its sustainability reporting framework with international standards to the extent practicable and support the principle that targeted amendments should be clearly justified by Singapore's policy objectives or implementation context.

Alignment with the ISSB Standards can help make the sustainability-related information of Singapore companies more readily understood by international investors, lenders, customers and business partners, including where companies seek to access international capital or develop cross-border business relationships. It also provides a basis for the sustainability performance and preparedness of Singapore's corporate sector to be compared more meaningfully with that of companies in other jurisdictions.

This approach is consistent with ACCA's *Principles of Good Corporate Reporting*, which advocates a building-blocks approach based on a global baseline, while emphasising comparability, interoperability and coherence in corporate reporting.

ACCA also welcomes SGX RegCo's existing approach of permitting and encouraging issuers of any size to apply the IFRS Sustainability Disclosure Standards in full, as reflected in its Sustainability Reporting Guide. We encourage ACRA and SGX RegCo to preserve this approach as the Singapore Sustainability Disclosure Standards are introduced, recognising the value of full alignment with the ISSB global baseline in supporting international comparability and reducing cross-border fragmentation.

We recognise and support Singapore's climate-first approach. Given the urgency of climate change, and the need for companies to build the necessary systems, skills, data and governance progressively, there is a strong practical rationale for prioritising climate-related disclosures in the initial phase of implementation.

However, ACCA considers it important that Singapore's climate-first approach should be implemented in a way that preserves the integrity of the ISSB architecture and keeps the Singapore standards as closely aligned as practicable with IFRS S1 and IFRS S2.

ACCA's principal concern is the combination of structural modifications to the ISSB Standards and the absence of a clear mechanism for moving from climate-first to broader sustainability-related financial disclosures.

Under the proposed framework, SFRS S1 would remain voluntary, while SFRS S2 would be the only mandatory sustainability disclosure standard. We recognise that this reflects the current policy and implementation approach. However, the absence of a clear pathway towards broader application of SFRS S1 creates uncertainty for preparers and users alike.

Sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects are not necessarily confined to climate. Depending on their business models and sectors, entities may also need to consider risks and opportunities relating to nature, water, human capital and other sustainability matters, and disclose material information about them. Such risks and opportunities may affect an entity's cash flows, access to finance or cost of capital over the short, medium or long term.

ACCA therefore encourages ACRA to establish a clearer pathway or review mechanism for broader application of SFRS S1, while retaining flexibility over the timing of mandatory implementation according to market readiness. This does not require an immediate commitment to a fixed implementation date. Preparers would, however, benefit from greater clarity about the intended direction, the criteria that will be used to assess readiness, and when progress towards broader sustainability-related disclosures will be reviewed.

This is important not only for regulatory certainty, but also for capability-building. Companies need to make investments in data systems, governance, skills, internal controls and supply-chain engagement ahead of reporting requirements. An open-ended period in which broader sustainability-related disclosures remain voluntary may make it difficult for preparers to determine the appropriate level and timing of those investments.

The ISSB's own transition arrangements provide a useful illustration. The climate-first transition relief in IFRS S1 allows an entity, in its first annual reporting period applying the ISSB Standards, to focus on climate-related risks and opportunities before moving to its broader sustainability-related risks and opportunities. This recognises the practical need to build reporting capabilities progressively without making climate-only reporting the longer-term scope of the framework.

In ACCA's view, Singapore should preserve the underlying architecture of the ISSB Standards as far as practicable, while taking a similar phased implementation approach towards broader sustainability-related financial reporting, supported by a clear mechanism for reviewing progress and market readiness. This would give preparers greater certainty, support timely investment in reporting capabilities and minimise unnecessary fragmentation, while strengthening the international comparability of sustainability-related financial information reported by Singapore companies.

Question 1: Proposed amendments to the two-standards structure

ACCA recognises the practical rationale for enabling SFRS S2 to operate as a standalone standard for entities subject to mandatory climate reporting. However, we have concerns about departing from the architecture of the ISSB Standards beyond what may be necessary to give effect to Singapore's climate-first implementation approach.

The ISSB Standards have been developed through an established standard-setting process under the IFRS Foundation, drawing on extensive consultation and scrutiny by stakeholders across jurisdictions. While Singapore undertakes its own due process in developing the SFRS Standards, departures from the ISSB baseline may have wider implications for the coherence and application of the Standards that are not immediately apparent in a local context. Retaining alignment wherever possible would help mitigate the risk of unintended consequences, including effects on comparability and the interaction between disclosure requirements.

Under the ISSB architecture, IFRS S2 is designed to be applied together with IFRS S1, which provides the general requirements and conceptual foundations for sustainability-related financial disclosures. ACCA encourages ACRA to keep the two standards as closely aligned as practicable with the underlying scope, concepts and relationships established by the ISSB Standards, to reduce fragmentation, support comparability and minimise future transition costs for both preparers and users.

Question 2: Proposed amendments to transition reliefs

As noted in our response to Question 1, we encourage ACRA to preserve the underlying architecture of the ISSB Standards, while accommodating Singapore's climate-first implementation approach through appropriate transition arrangements. In this context, we encourage ACRA to reconsider the proposed removal of the IFRS S1 climate-first relief, alongside the proposed restructuring of SFRS S1 and S2. We recognise, however, that the one-year relief under IFRS S1 would need to be adapted to accommodate Singapore's implementation approach.

We are also concerned about the absence of a clear pathway towards broader mandatory sustainability-related disclosures.

The climate-first relief under the ISSB Standards is explicitly transitional: it allows an entity to establish reporting practices and structures around climate first, before extending reporting to other sustainability-related risks and opportunities. Singapore's framework should similarly provide a clear sense of progression. This need not involve an immediate commitment to a fixed date for mandatory application. A clearly defined point at which progress is reviewed, together with greater clarity on the objective criteria that would inform that review and how market readiness would be assessed, would provide greater certainty to preparers while retaining flexibility for the policymakers and regulators.

Such an approach would also give companies a clearer basis and impetus for investing progressively in the systems, processes, governance, skills and data capabilities needed to identify and report broader sustainability-related information. ACCA's *Track your progress survey* found that most respondents (71%) place regulatory compliance in their top three reasons for creating or using sustainability information.

In ACCA's view, a phased implementation approach should create time to build capability, rather than create uncertainty about whether broader sustainability-related reporting will ever be required.

Scope 3

ACCA recognises that Scope 3 reporting is already mandatory for STI constituents from FY2026, while other listed issuers continue to benefit from relief until further notice.

We understand the rationale for extending the Scope 3 relief beyond the one-year relief provided under IFRS S2. Given the different implementation timelines in Singapore and the challenges companies face in obtaining reliable information across their value chains, additional time may be warranted.

However, as with the broader climate-first implementation approach discussed above, we encourage ACRA and SGX RegCo to avoid an open-ended relief without a defined review mechanism and/or timeline. A clear review point and criteria for assessing market readiness would provide greater certainty about the eventual extension of mandatory Scope 3 reporting to other listed issuers.

Question 3: Statement of compliance with SFRS S2

ACCA supports the objective of requiring an explicit and unreserved statement of compliance with the applicable mandatory requirements.

As outlined in our response to Question 1, we encourage ACRA to preserve the underlying architecture and relationship between SFRS S1 and S2, while accommodating Singapore's climate-first implementation approach through appropriate transition arrangements.

Accordingly, we recommend that the proposed compliance statement requirements be reconsidered in light of the final approach adopted. Irrespective of the approach, compliance statements should clearly distinguish between entities that have fulfilled only the mandatory climate-related disclosure requirements and those that have applied the Singapore SDS in full, including disclosures relating to sustainability-related risks and opportunities beyond climate.

Question 4: References to SASB Materials

ACCA does not support the proposed change from "shall refer to and consider" to "may refer to and consider" the relevant industry-based guidance and SASB Materials.

We recognise the practical challenges associated with applying the SASB Materials, particularly given that they were originally developed for corporate filings to the US Securities and Exchange Commission, which may result in varying levels of relevance and applicability across jurisdictions. However, we believe it is important to maintain consistent wording and requirements across jurisdictions to support comparability and minimise divergence in practice.

The requirement to refer to and consider the SASB Materials is an important element of the ISSB Standards' approach to providing decision-useful, industry-specific information. Making such consideration optional could increase the likelihood that entities do not refer to these materials, potentially reducing the comprehensiveness and comparability of the information disclosed to investors.

ACCA therefore recommends retaining the ISSB wording of "shall refer to and consider". We recognise that preparers may face uncertainty about what constitutes adequate consideration and what documentation may be expected. These concerns should be addressed through appropriate implementation guidance rather than by changing the requirement itself.

In particular, ACRA could provide guidance on:

- what would constitute adequate consideration of the SASB Materials, including Singapore-specific examples or case studies building on the IFRS Foundation's *Understanding SASB Standards* guidance;
- the nature and extent of documentation that preparers may wish to retain to demonstrate how the SASB Materials were considered; and
- how the SASB Materials can be applied proportionately, taking into account the nature, scale and complexity of an entity and its sustainability-related risks and opportunities, as well as its reporting capabilities and available resources.

We also recommend that ACRA engage closely with the ISSB to support the ongoing development of the IFRS S2 industry-based disclosure requirements and the updating of the

SASB Standards to enhance their global applicability, taking into consideration the Singapore context.

This would allow concerns about the relevance and applicability of industry-based guidance to be addressed through the ISSB's ongoing standard-setting and maintenance processes, rather than through jurisdiction-specific departures from the ISSB requirements.

Question 5: Other aspects of the draft Singapore SDS

As outlined in our response to Question 1, ACCA strongly encourages ACRA to preserve the underlying architecture of the ISSB Standards, while accommodating Singapore's climate-first approach through appropriate transition arrangements.

However, should ACRA proceed with its proposed approach of making SFRS S1 voluntary and incorporating relevant SFRS S1 requirements into SFRS S2, we encourage ACRA to minimise amendments to the substantive text of SFRS S1 that arise solely from its voluntary status.

The proposed Preface to SFRS S1, as well as provisions such as SG1.1 and SG5.1 and references throughout the Appendices to the voluntary status of SFRS S1, appear principally to reflect Singapore's current implementation policy rather than substantive differences in the disclosure requirements.

We therefore encourage ACRA to consider whether the voluntary status of SFRS S1 could instead be established through the relevant regulatory or implementation arrangements, while retaining the text of SFRS S1 as closely aligned as possible with IFRS S1. This would minimise unnecessary divergence and avoid future amendments to the standard solely because Singapore subsequently moves towards broader mandatory sustainability-related disclosures. It would also help avoid any unintended impression that sustainability-related risks and opportunities beyond climate are of lesser importance.

We also note ACRA's concern that describing the Appendices as having the “same authority” as other parts of SFRS S1 may cause confusion given the Standard's proposed voluntary status. We suggest distinguishing between the authority of provisions within the Standard and whether application of the Standard is mandatory. For example, the wording could read:

“This appendix is an integral part of SFRS S1 and has the same authority as the other parts of the Standard. SFRS S1 is a voluntary Standard.”

This would preserve the meaning of the ISSB formulation while making Singapore's current implementation position clear.

Question 6: Implementation challenges and areas where guidance would be helpful

ACCA considers implementation guidance particularly important given Singapore’s climate-first approach and the phased nature of the reporting requirements.

We would encourage guidance in at least the following areas:

1. Transition from climate-first to broader sustainability reporting

Given Singapore's phased implementation approach, ACCA encourages ACRA to provide guidance to help companies prepare progressively for broader application of the ISSB Standards, even while mandatory reporting remains focused on climate.

In particular, guidance could help preparers understand how to:

- identify and assess sustainability-related risks and opportunities beyond climate that could reasonably be expected to affect their prospects, and determine what information about these would be material for disclosure;
- build on existing climate-reporting processes, including governance arrangements, risk management, data collection and internal controls, to support broader sustainability-related reporting; and
- plan the progressive development of reporting capabilities, including the systems, skills and resources that may be required as Singapore moves towards fuller application of the ISSB Standards.

Such guidance would help companies make informed investment and capability-building decisions without requiring them to report on all sustainability-related risks and opportunities immediately.

ACCA also encourages ACRA to communicate the intended review process and criteria for assessing progress towards broader mandatory application of SFRS S1, as discussed in our response to Question 2.

2. SASB Materials and Scope 3

As noted in our response to Question 4, practical guidance on what constitutes adequate consideration of the SASB Materials, including appropriate documentation and illustrative examples, would be particularly helpful in supporting consistent implementation.

Preparers would also benefit from clarity on how progress towards mandatory Scope 3 reporting will be assessed, including the intended review process and criteria for determining market readiness, as highlighted in our response to Question 2.

3. Practical implementation guides

ACCA encourages ACRA to continue strengthening and consolidating practical implementation guidance for companies. While a range of resources is already available, these are spread across different initiatives and organisations. A centralised repository or implementation hub could help companies navigate relevant Singapore-specific requirements, technical guidance, calculation methodologies, illustrative examples and authoritative external resources.

Such a resource could also draw on existing international and professional resources. ACCA's *Sustainability reporting hub: creating and using decision-useful information*, which provides practical guidance on the sustainability information production cycle, IFRS S1 and S2, materiality, data and estimates, and other aspects of sustainability reporting, is one example of such resources ACRA could consider including.