

# PRI RESPONSE

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## CONSULTATION PAPER ON SUSTAINABILITY REPORTING: ENHANCING CONSISTENCY AND COMPARABILITY

5 April 2024

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**United Nations**  
Global Compact

# ABOUT THE PRI

The Principles for Responsible Investment (PRI) works with its international network of signatories to put the six Principles for Responsible Investment into practice. Its goals are to understand the investment implications of environmental, social and governance (ESG) issues and to support signatories in integrating these issues into investment and ownership decisions. The PRI acts in the long-term interests of its signatories, of the financial markets and economies in which they operate and ultimately of the environment and society as a whole.

The six Principles for Responsible Investment are a voluntary and aspirational set of investment principles that offer a range of possible actions for incorporating ESG issues into investment practice. The Principles were developed by investors, for investors. In implementing them, signatories contribute to developing a more sustainable global financial system.

The PRI develops policy analysis and recommendations based on signatory views and evidence-based policy research. The PRI welcomes the opportunity to respond to the Singapore Exchange Regulation (SGX RegCo) call for feedback on the proposals for how to enhance the consistency and comparability of sustainability reporting.

## ABOUT THIS CONSULTATION

Singapore Exchange Regulation (SGX RegCo) is [consulting](#) the market on details of how the International Sustainability Standards Board (ISSB) standards are to be incorporated into its sustainability reporting rules for climate-related disclosures, in line with the Sustainability Reporting Advisory Committee's recommendations announced on 28 February 2024. Feedback is also sought on a proposal to make mandatory the reporting on the primary components of a sustainability report (Primary Components) from the current "comply or explain" basis.

The [consultation paper](#) published on 7 March details SGX RegCo's proposals and asks three questions for stakeholder feedback.

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# KEY RECOMMENDATIONS

## PRI'S KEY POSITIONS REGARDING PROPOSALS TO UPDATE THE SR REGIME

The PRI welcomes SGX RegCo's proposals for adoption of the ISSB Standards in the SR Regime of the Listing Rules. These proposals implement the ISSB Standards to an extent that would place Singapore in a strong position to be among the leading examples for ISSB Standards-aligned mandatory sustainability reporting.

When effective, the amended SR Regime will provide a standardised reporting framework for companies to report on their climate-related risks and opportunities. Signatories regularly report to the PRI that the lack of comparable and more generally decision-useful corporate sustainability data<sup>1</sup> is a substantial barrier to their responsible investment practices. It is particularly important to note that the proposed use of built-in reliefs from the ISSB Standards as opposed to additional jurisdiction-specific reliefs will aid investors in their access to comparable and consistent sustainability information. This significant step will help to bridge the data gap and provide investors with the data they need in their investment decision-making processes.

However, we also note that one area that SGX RegCo deviates from the ISSB provisions is regarding the adoption of IFRS S1, keeping reference to it as a voluntary item rather than a requirement. We recommend that IFRS S1 and S2 are instead adopted together under the final rule.

## WHY INVESTORS NEED GREATER ALIGNMENT WITH THE ISSB STANDARDS

Decision-useful corporate sustainability reporting is a prerequisite for responsible investment. Investors currently lack such information across their portfolios, including the most basic sustainability-related data.<sup>2</sup> This makes it more difficult for them to allocate capital efficiently, accounting for sustainability-related financial risks and opportunities and addressing sustainability goals. A global system of comparable data can address this need, creating a strong baseline of reliable information.

National and regional policymakers and standard setters have an essential role to play in addressing this challenge through the introduction of sustainability disclosure requirements. Since investors need sustainability data from all portfolio companies, the PRI has [called on](#) jurisdictions to begin adopting the ISSB Standards by 2025 at the latest.

The ISSB Standards are underpinned by the structure and concepts of accounting standards from the International Accounting Standards Board (IASB), build on the framework established by the Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD) – and other well-

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<sup>1</sup> As set out in the PRI's [Investor Data Needs framework](#), to be decision-useful, sustainability information must be available, accessible, verifiable, comparable across multiple dimensions, a faithful representation and relevant to investors.

<sup>2</sup> For example, FTSE Russell found that of the 4,000 large and mid-size constituents in the FTSE All World index, only 58% disclose both Scope 1 and 2 carbon emissions. Source – [Mind the gaps: Clarifying corporate carbon](#) (2022).

established voluntary sustainability reporting initiatives – and have been endorsed by the International Organization of Securities Commissions (IOSCO).<sup>3</sup>

Several jurisdictions are currently taking steps to adopt the ISSB Standards. Aligning Singapore’s reporting requirements to international standards offers the transparency investors need to manage sustainability-related risks and opportunities. ISSB adoption in Singapore is also crucial to achieve global interoperability<sup>4</sup> of corporate sustainability disclosure requirements – promoting comparable data across investment portfolios – and to build on existing progress in reporting on sustainability-related risks and opportunities.

## **ADDITIONS TO THE BASELINE – REPORTING ON IMPACTS AND DEPENDENCIES**

Responsible investors need sustainability-related information to inform their assessment of companies’ risks and opportunities. Increasingly, they also need information to assess and interpret a company’s impacts and their alignment with sustainability goals and thresholds. While the ISSB Standards are expected to enable disclosure of some of this information, it is unlikely they will provide investors with all the information they need on a company’s impacts and dependencies.

In this context, and in line with the IFRS Foundation’s “building blocks” approach, the ACSR should consider a future adoption of disclosure requirements that add to the ISSB Standards, by considering the examples of the GRI Standards and European Sustainability Reporting Standards, to capture additional information on companies’ sustainability impacts.

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<sup>3</sup> IOSCO’s [endorsement](#) recommends that its 130 member jurisdictions consider ways in which they might adopt, apply or otherwise be informed by the standards.

<sup>4</sup> Interoperability between jurisdictional reporting requirements – allowing companies to collect and report in a manner that effectively serves both local and global requirements – is a key concern for investors who allocate capital globally and require comparable sustainability-related information across their portfolios.

# DETAILED RESPONSE

## QUESTION 1: AMENDMENTS TO ALIGN WITH ISSB STANDARDS

### **(A) DO YOU AGREE WITH THE PROPOSED AMENDMENTS TO THE LISTING RULES AND THE SUSTAINABILITY REPORTING GUIDE (AS DETAILED IN PARAGRAPHS 2.7 AND 2.12 OF PART II OF THE CONSULTATION PAPER) TO INCORPORATE THE ISSB STANDARDS IN THE SR REGIME?**

PRI supports this proposal. Investors need decision-useful sustainability data from all portfolio companies. As such, PRI [has called for](#) economy-wide implementation of the ISSB Standards across jurisdictions. As markets around the world transition toward adopting the ISSB Standards, it is important for the Singaporean market to maintain alignment on sustainability disclosure requirements at a market-wide level.

The SGX RegCo proposal clarifies that issuers are encouraged, but not required, to reference the ISSB Standards for sustainability-related disclosures beyond climate-related disclosures. We recommend that IFRS S1 and S2 are instead adopted together under the final rule.

It is important to recognize the benefits of the ISSB Standards as a combination of IFRS S1 and S2, given that reporting entities must implement IFRS S1 to appropriately report against IFRS S2 and any future ISSB Standards. IFRS S1 provides an enabling framework for entities to report on sustainability issues beyond climate change and implement principles that bring the quality of sustainability reporting closer to financial reporting under the IFRS Accounting Standards. These benefits are consistent with the investor need for decision-useful information and align closely with the Primary Components required under the SR regime. Further, reporting pursuant to IFRS S1 would allow for more consistent disclosures on the range of sustainability issues (including but not limited to climate) that investors consider in decision-making.

### **(B) DO YOU AGREE THAT AN ISSUER IS ONLY REQUIRED TO MAKE A STATEMENT THAT ITS CLIMATE-RELATED DISCLOSURES ARE IN COMPLIANCE WITH THE ISSB STANDARDS AS APPLICABLE FOR CLIMATE-RELATED DISCLOSURES IN ITS SUSTAINABILITY REPORT FROM THE FINANCIAL YEAR COMMENCING ON OR AFTER 1 JANUARY 2027? DO YOU AGREE THAT IN THE INTERIM, AN ISSUER SHOULD DESCRIBE IN ITS DISCLOSURES THAT ITS CLIMATE-RELATED DISCLOSURES ARE PREPARED WITH REFERENCE TO THE ISSB STANDARDS?**

PRI supports this proposal. We have observed jurisdictions around the world implement mechanisms to ensure an enabling environment for the capacity building of reporting practices, generally spanning three years. We believe that the mandatory requirement to implement the ISSB Standards, but maintaining this at a “reference” capacity is an appropriate and proportionate measure in line with trends observed in other jurisdictions.

## **QUESTION 2: PRIMARY COMPONENTS: ‘COMPLY OR EXPLAIN’ BASIS TO MANDATORY BASIS**

**DO YOU AGREE THAT THE SR REGIME FOR REPORTING ON THE PRIMARY COMPONENTS OF A SUSTAINABILITY REPORT SHOULD BE ENHANCED FROM A ‘COMPLY OR EXPLAIN’ BASIS TO A MANDATORY BASIS?**

PRI supports this proposal. We understand that there is a breadth of policies already in place to ensure capacity building for sustainability reporting in the market – including efforts by the ISSB and partner organisations under the IFRS Foundation’s Partnership Framework for Capacity Building – with the SR Review 2023 providing a strong evidential basis to signify market-readiness for mandatory reporting.

## **QUESTION 3: REPORTING TIMEFRAME**

**DO YOU AGREE THAT THE SUSTAINABILITY REPORT SHOULD BE ISSUED TOGETHER WITH THE ANNUAL REPORT FROM THE FINANCIAL YEAR COMMENCING ON OR AFTER 1 JANUARY 2026? DO YOU AGREE THAT THE FIRST SUSTAINABILITY REPORT FOR A NEWLY LISTED ISSUER SHOULD BE IN RESPECT OF ITS FIRST FULL FINANCIAL YEAR AFTER LISTING?**

PRI supports this proposal. This is an appropriate application of the reliefs built into the ISSB Standards, with appropriate adjustments made for newly listed issuers.

*The PRI has experience of contributing to public policy on sustainable finance and responsible investment across multiple markets and stands ready to support the work of SGX RegCo further to support the implementation of the sustainability reporting requirements aligned with the ISSB Standards in Singapore.*

*Please send any questions or comments to [policy@unpri.org](mailto:policy@unpri.org).*

*More information on [www.unpri.org](http://www.unpri.org)*