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Centre for Governance and Sustainability
NUS Business School

Climate Reporting Review 2024

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Context

1. **Regulatory updates –** According to the latest SGX Sustainability Reporting roadmap[1], from FY2025, issuers should refer to IFRS Sustainability Disclosure Standards (IFRS S1 and IFRS S2) in preparing climate-related disclosures.
2. **In depth climate-related disclosure analysis** – The study is a follow-up study to the Sustainability Reporting Review 2023[2], particularly on climate-related disclosures. The report integrates insights and recommendations for issuers as they transition to adopting the IFRS standards.

Source:
1. *https://www.sgx.com/sustainable-finance/sustainability-reporting*
2. *https://bschool.nus.edu.sg/cgs/wp-content/uploads/sites/7/2023/11/CGS-SGX-Sustainability-Reporting-Review-2023_Report.pdf*

Methodology

Research coverage

2024 review

- 529 issuers
- Latest sustainability reports published as of 31 July 2024

2023 review

- 535 issuers
- FY2022 sustainability reports published as of 31 July 2023

Note: Sustainability reports include standalone sustainability reports, integrated reports, and sustainability sections within annual reports which are available on SGXNet.

Research framework

- Based on TCFD framework 11 recommended disclosures
- 4 pillars: governance, strategy, risk management, metrics and targets
- **Key augmentations compared to 2023 review: required detailed information** such as frequency of board meeting, quantitative targets etc.

Research results:
Overall performance

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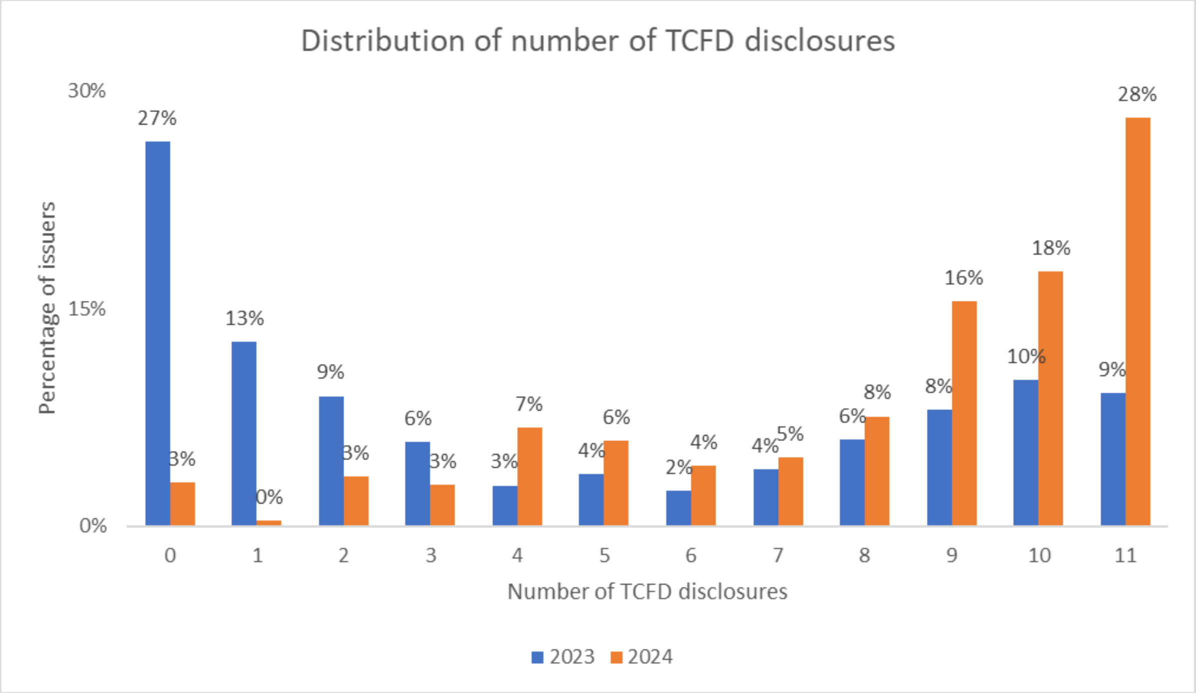
Strong progress in climate disclosures, but full alignment is still emerging



- 97% (513 issuers) provided at least one TCFD recommended disclosure, 61% provided at least 9 TCFD recommended disclosures.
- While only 28% provided all 11 recommended disclosures, more issuers are expected to enhance their reporting aligned with the recommendations.

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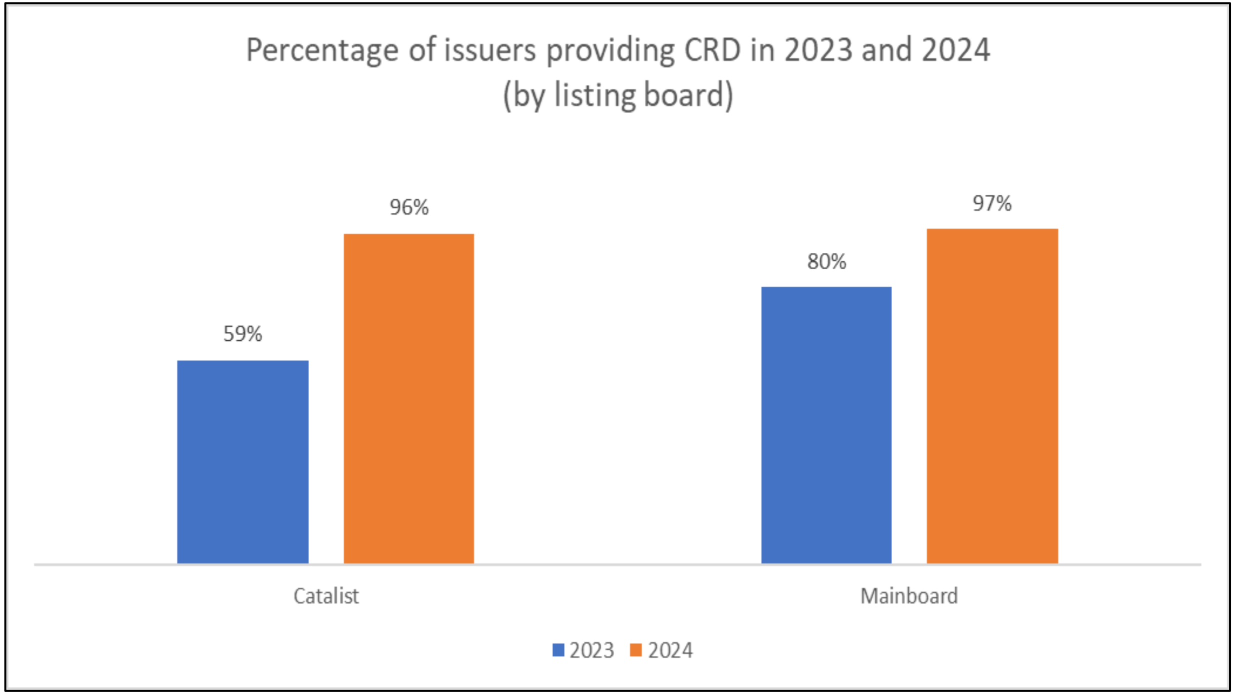
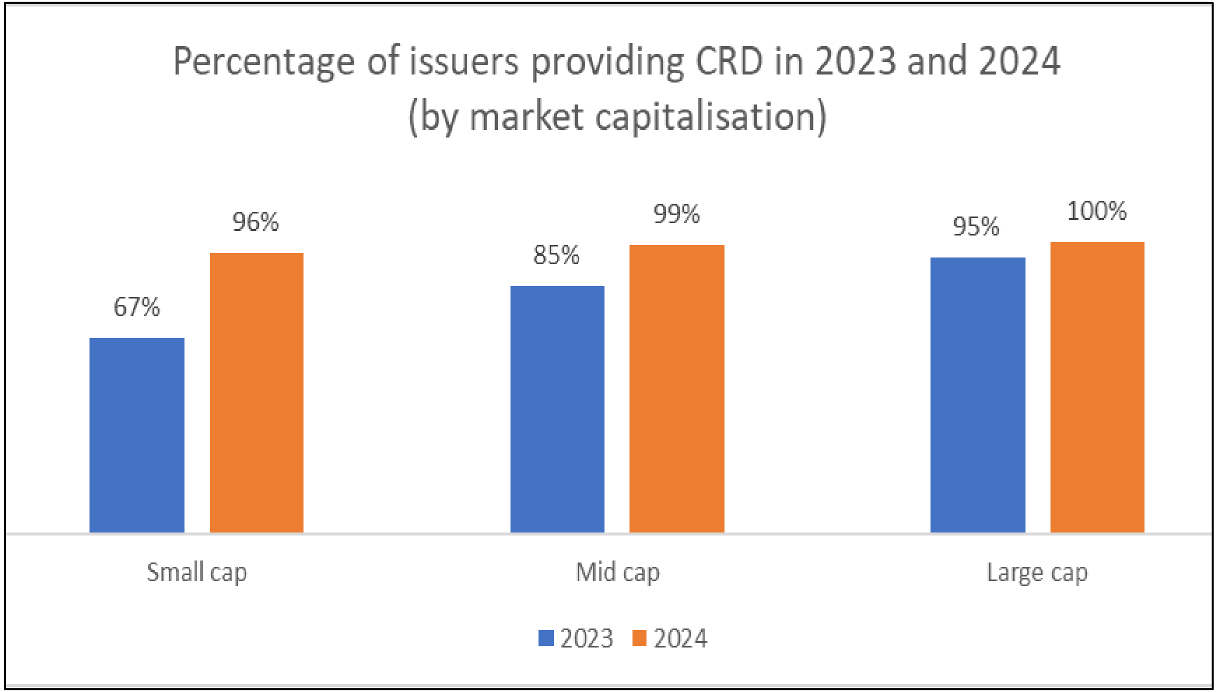
Consistent climate reporting across mainboard and catalist issuers



- No discernible difference between the reporting practices of Mainboard and Catalist issuers with at least 96% of issuers on both listing boards providing CRD.
- Issuers from both listing boards are largely compliant with the listing rules.

Broad adoption of TCFD disclosures across all market capitalisations



- More small caps are disclosing at least one TCFD disclosure, recording the greatest increase from 67% in 2023 to 96% in 2024.
- Issuers of various sizes are capable of delivering comprehensive CRD.

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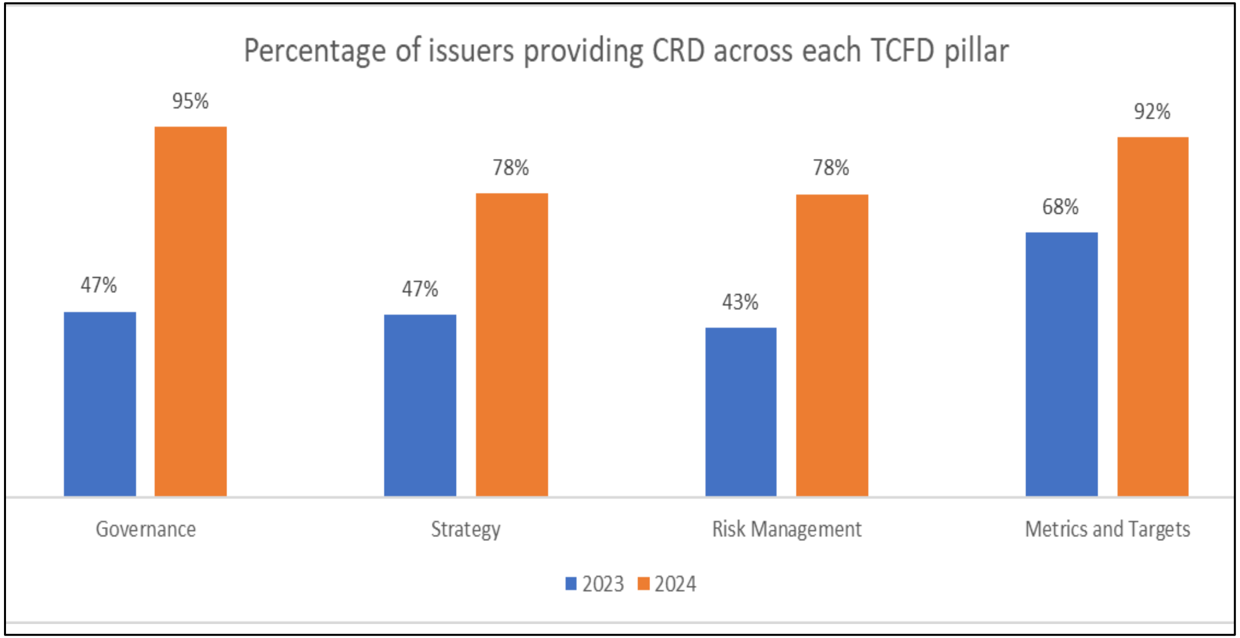
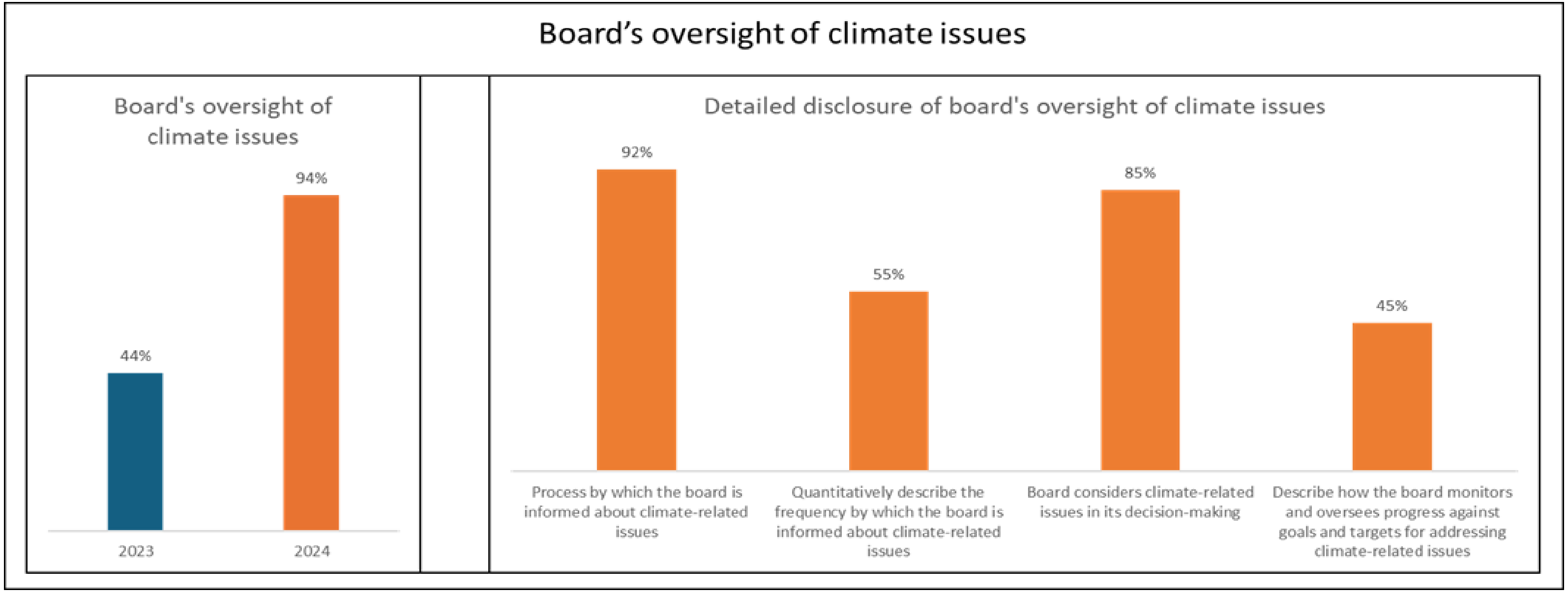
More issuers are disclosing CRD under the governance, metrics and targets pillar, while strategy and risk management pillars show slower adoption



- The governance pillar is the most widely disclosed pillar in 2024 and experienced the most significant increase from 47% in 2023 to 95% in 2024.
- The metrics and targets pillar is the second most commonly disclosed, with a disclosure rate of 92%.

Research results:
Performance by TCFD pillars- Governance

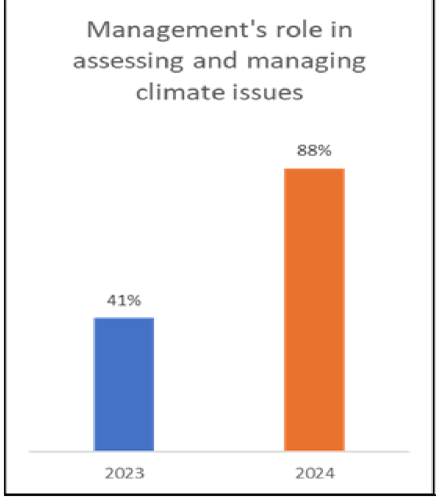
Stronger board's oversight on climate issues with room for improvement for detailed disclosures

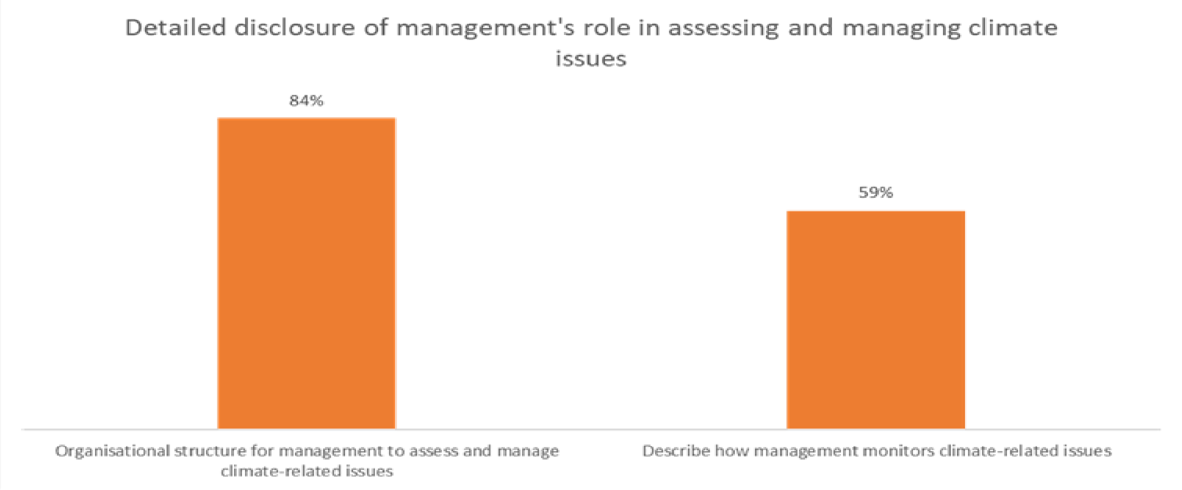


- While a significant number of issuers (94%) have board oversight on climate issues, more detailed disclosures such as frequency of informing the board about climate-related issues, how board monitors progress are needed.

Management's role in climate issues increased, however more disclosures on management's responsibilities can be improved

Management's role in assessing and managing climate issues



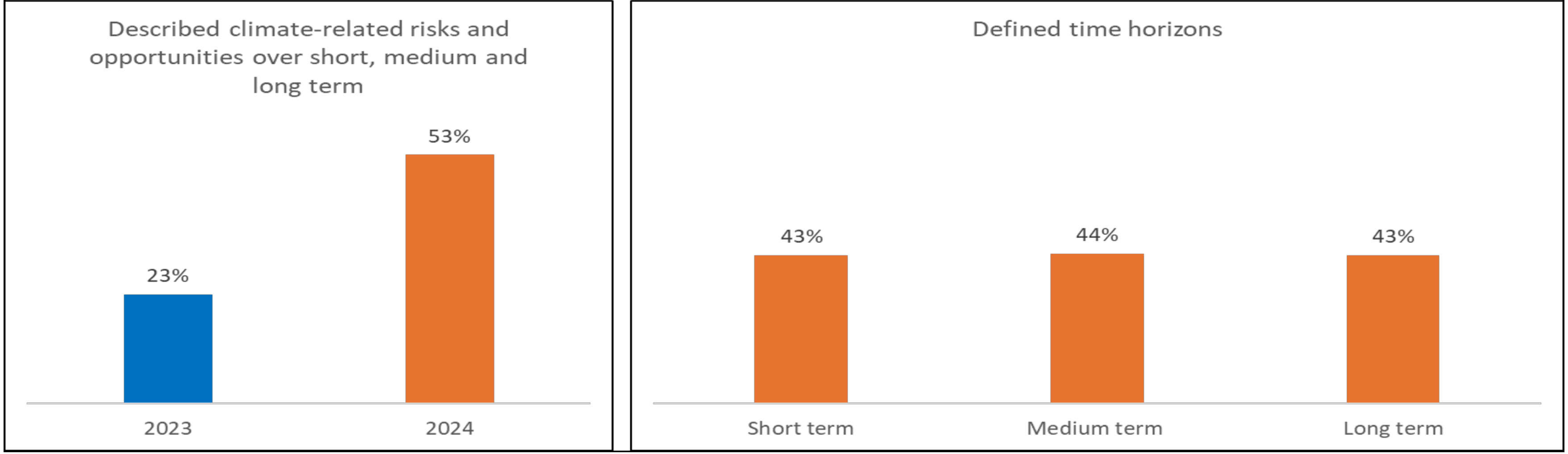


- While disclosing management's role in assessing and managing climate issues reached 88% in 2024, more detailed disclosures in management's role are needed for improvement.

Research results:
Performance by TCFD pillars- Strategy

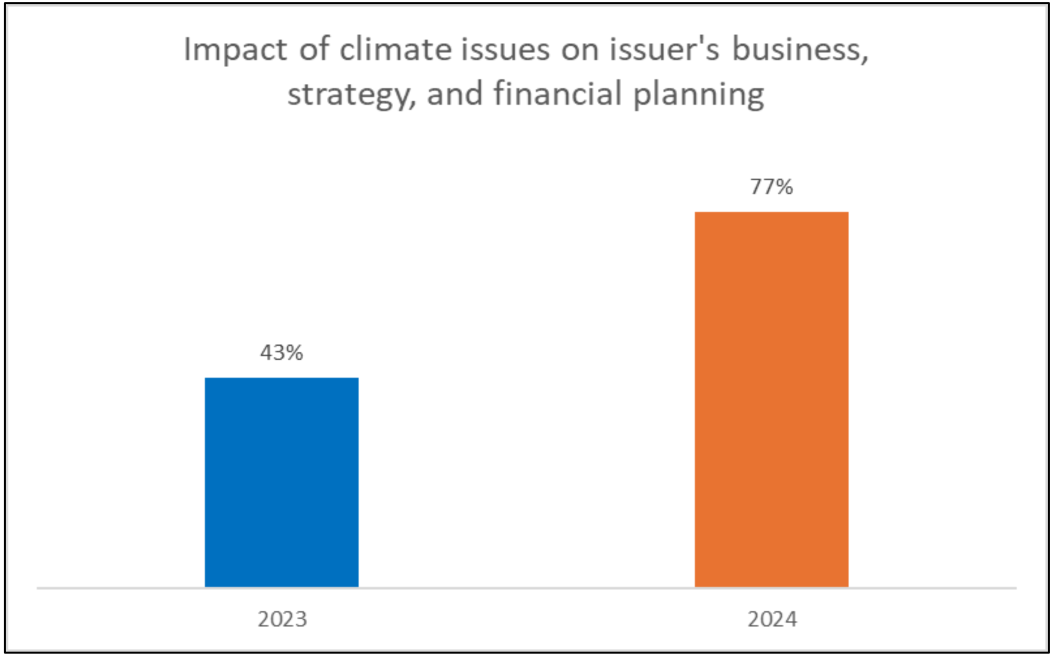
Clear timeframes for climate issues provide decision-useful information

Identification of climate issues across various time horizons



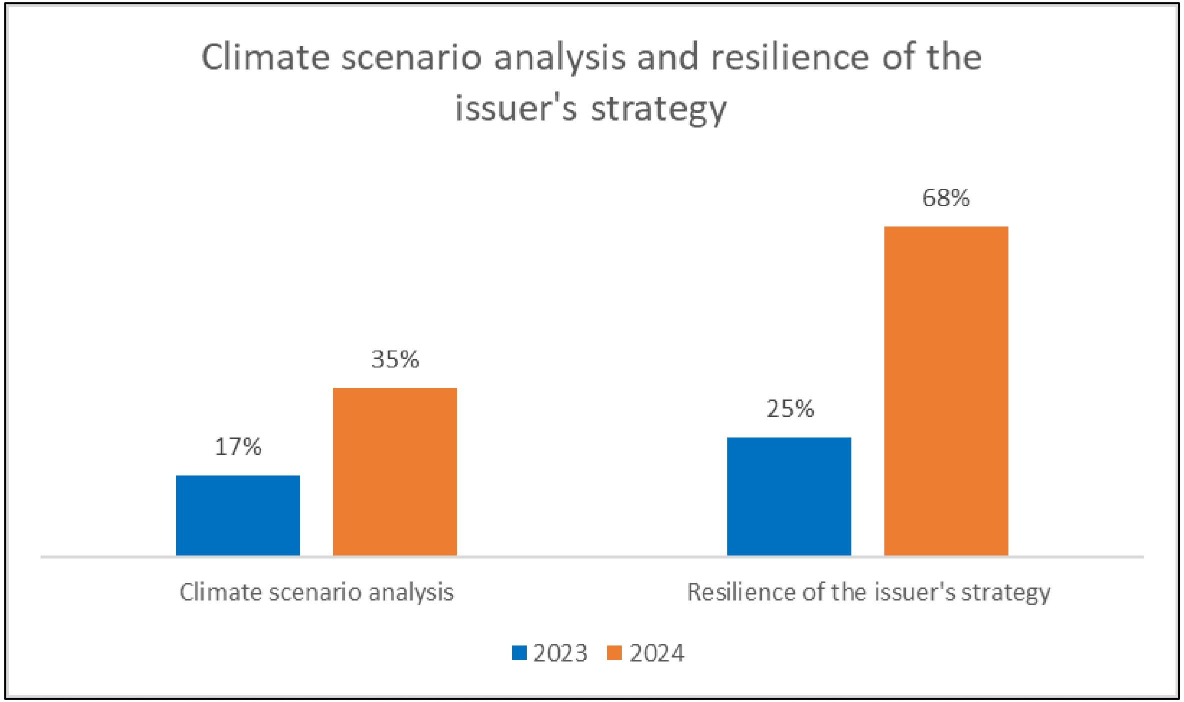
- In 2024, 53% of issuers have described the timeframe for climate issues with a material financial impact.
- Percentages of issuers defining short (43%), medium (44%), and long term (43%) horizons are consistent, suggesting that issuers are approaching climate reporting with a balanced perspective.

Growing integration of climate issues into business strategy and financial planning



- A significantly higher number of issuers (77%) have described the impact of climate issues on their business, strategy, and financial planning, increased from 43% in 2023.
- This reflects a growing trend of embedding climate-related factors into decision making processes and enhancing awareness of their effect on profitability and sustainability.

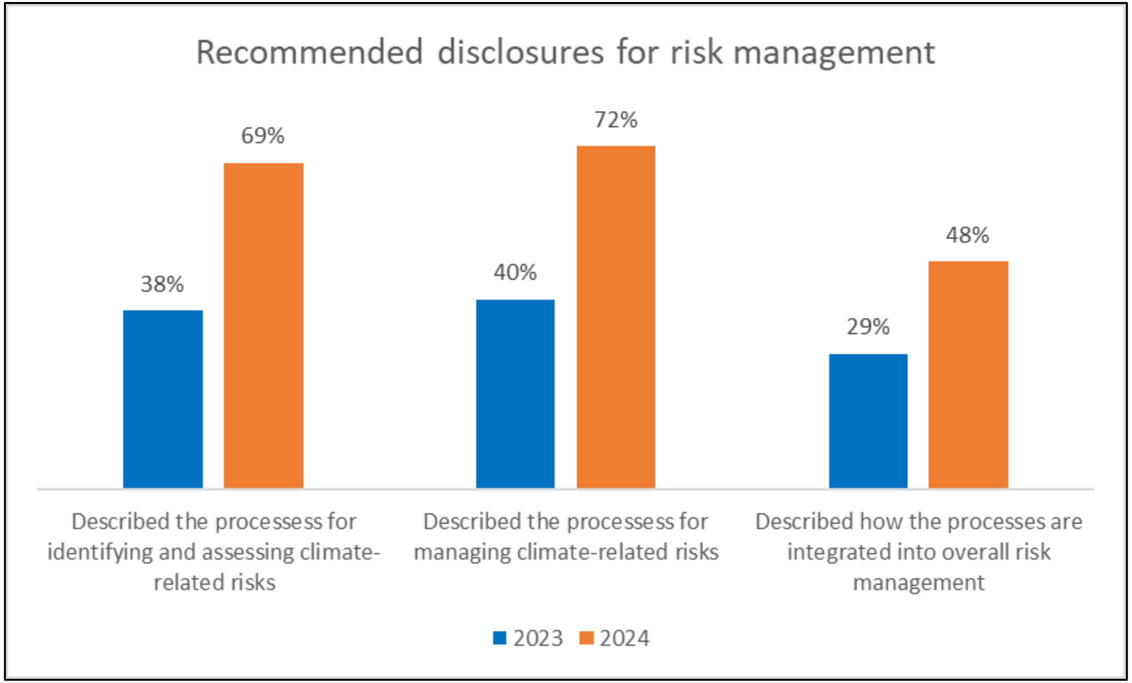
Room for improvement in scenario analysis with time horizons and rationale to build resilience



- While 35% of issuers have conducted climate scenario analysis, only 31% have defined the time horizons for the scenarios.
- Disclosure of resilience of the issuer's strategy have increased significantly from 25% in 2023 to 68% in 2024, indicating that more issuers are dedicated to taking actions to adapt and mitigate climate risks.
- The ISSB standards call for more detailed disclosures, including time horizons and rationale, issuers are encouraged to enhance their scenario analysis to build resilience.

Research results:
Performance by TCFD pillars- Risk management

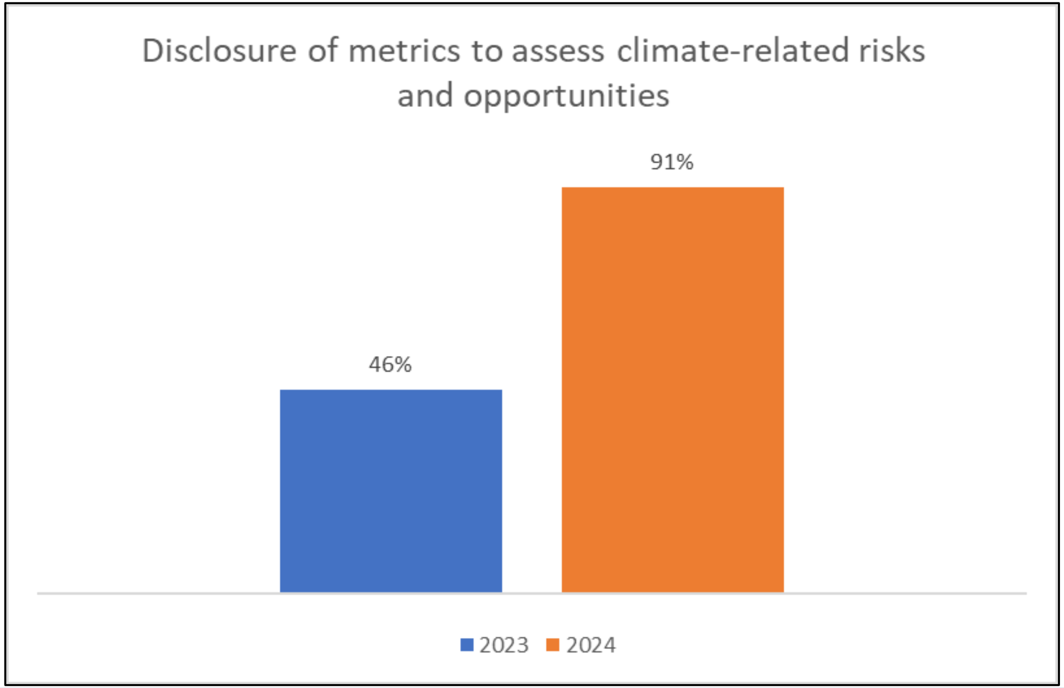
Increasing awareness of climate risk management, but integration into broader enterprise risk management remains a challenge



- 69% of issuers described their processes for identifying and assessing climate risks, up from 38% in 2023. Similarly, 72% of issuers now outline their processes for managing these risks, an increase from 40% in 2023.
- However, only 48% of issuers have integrated these risks into their broader risk management frameworks, implying that many issuers still view climate risks as separate from their overall risk management strategy.

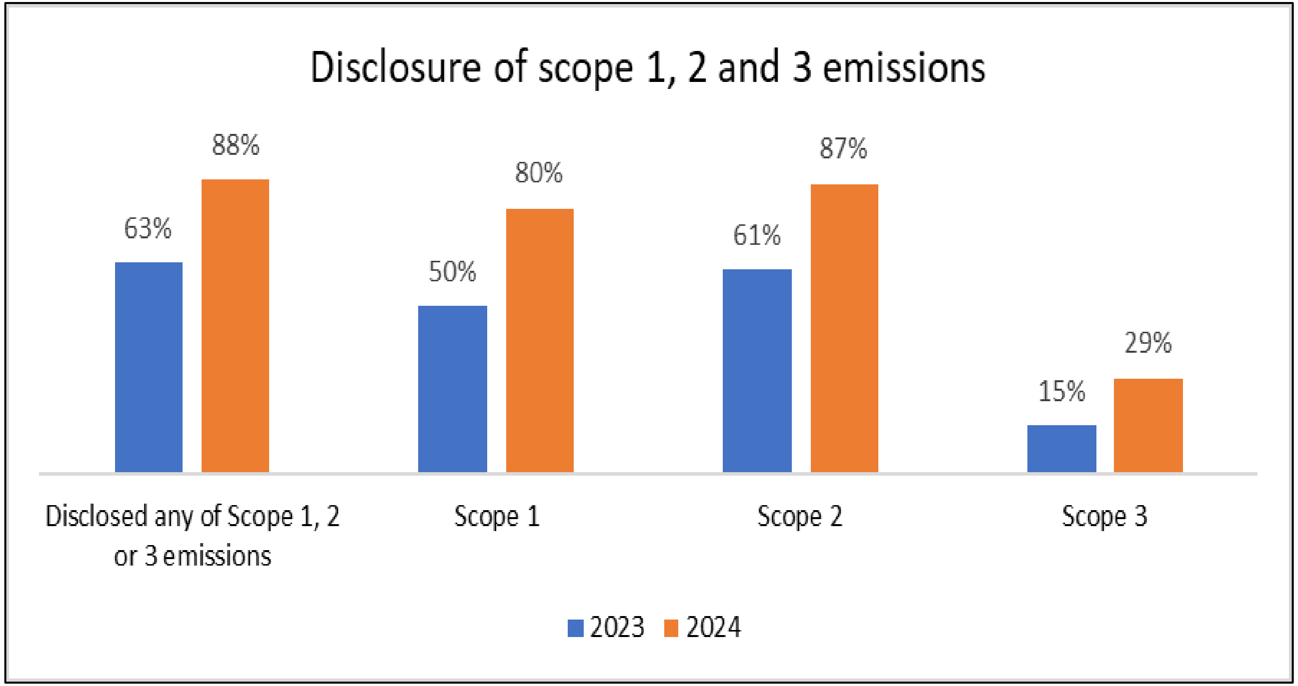
Research results:
Performance by TCFD pillars- Metrics and targets

Disclosure of climate metrics doubled, reflecting growing focus on performance tracking



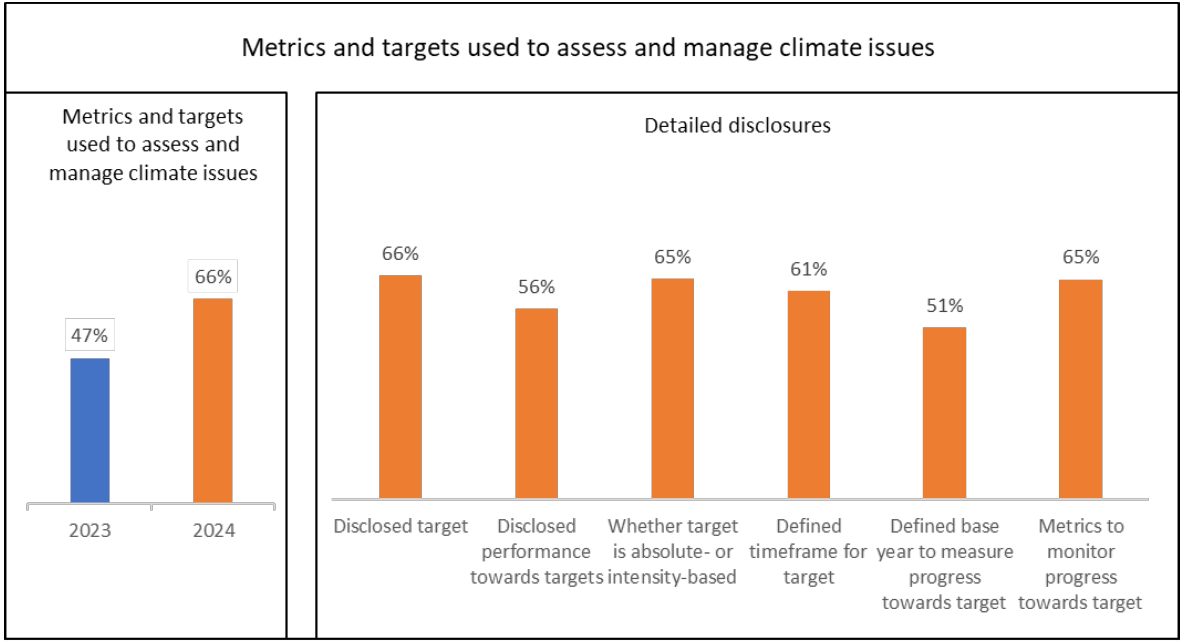
- The percentage of issuers disclosing metrics to assess climate-related risks and opportunities has almost doubled from 2023 to 2024, demonstrating issuers' efforts in tracking performance using credible metrics.

Significant increase in GHG emissions disclosures, but disclosure of Scope 3 remains a challenge



- 88% of issuers disclosed at least one of Scope 1, 2, or 3 GHG emissions in 2024, up from 63% in 2023, with Scope 2 being disclosed the most (87%), followed by Scope 1(80%) and Scope 3 (29%).

Progress in climate targets disclosures, but more details needed for accountability



- Two thirds of issuers had disclosed both quantitative targets and the recommended supporting information under the guidance of ISSB standards
- However, there is still room for improvement in disclosing detailed information such as base year, timeframe etc. about the issuers' targets. This would enhance the accountability and objectivity in measuring the actual progress.

Actions to improve climate reporting

1. **Detail board and management's role in monitoring climate-related issues:** specifying how board and management are monitoring climate-related issues could enhance transparency in managing climate issues and provide insights into effective execution.
2. **Link climate issues to strategic decision making:** this includes clear definition of timeframe for climate issues aligning with overall strategic planning and conducting comprehensive scenario analysis.
3. **Enhance integration of climate risks:** climate risks should be incorporated into the enterprise risk management to ensure that climate risks are not viewed in isolation.
4. **Strengthen Scope 3 disclosures:** issuers could start with gathering Scope 3 emissions data with more measurable categories such as business travel (Category 6) and gradually build up capability to gather data from other relevant categories.
5. **Expand on climate-related targets:** contextualising climate-related targets with supporting information such as base year, timeframe for targets could enhance the traceability and accountability of the climate targets.