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# ADVANCING TOGETHER ON THE JOURNEY OF SUSTAINABILITY

ISCA Walking Alongside Members

FROM THE LOCATION OF OUR SOLAR SYSTEM, the size and stability of our sun and our distance from it to the composition of the atmosphere, it takes a very precise set of conditions to maintain life on this planet we call home. Greenhouse gases in the atmosphere absorb some of the energy from the sun and warm the earth just enough for life to be viable on earth. An excess of greenhouse gases in the atmosphere, however, increases temperatures beyond viable thresholds, causing profound effect on the climate, sea levels, weather patterns, ecosystems, living environments and more.

Therefore, with the gravity of the potential impact in mind, it is alarming to watch how the fragile and delicate balance in our atmosphere is under threat by human activities. More than ever in this globalised and interconnected world, no one is shielded from the adverse effect of climate change.

Take agricultural products, for example. Droughts and floods arising from changing weather patterns and other extreme weather events affect crop yield and livestock growth at source. Reduced harvests lower exports from food producers, while more frequent storms and flooding slow the logistics and transportation of

agricultural products from source to destination, be it by land, air or sea, or even disrupt supply chains entirely.

The consequences of climate change are not a foreign concept distant from Singapore’s shores. In December 2021, heavy floods in neighbouring Johor displaced thousands of residents and damaged crops. The period of two to three weeks of warm and dry weather that immediately followed in January 2022, which typically falls within the northeast monsoon season, killed even more crops. The combination of these extreme weather conditions decimated produce like cucumbers, chillies, okra and durians. As a result of this supply shortage, the prices of exports to Singapore increased.

The example above gives a glimpse into our small island-state’s vulnerability to climate change as a matter of survival. In addition to the physical risks of climate change, vendor requirements, consumer advocacy and preferences such as plant-based diets, and societal issues add to the list of considerations that should concern all businesses, not just those in the agriculture sector.

Societal issues must also not be neglected by businesses. Whether or not “The Great Resignation” is a fad, it cannot be denied that the modern

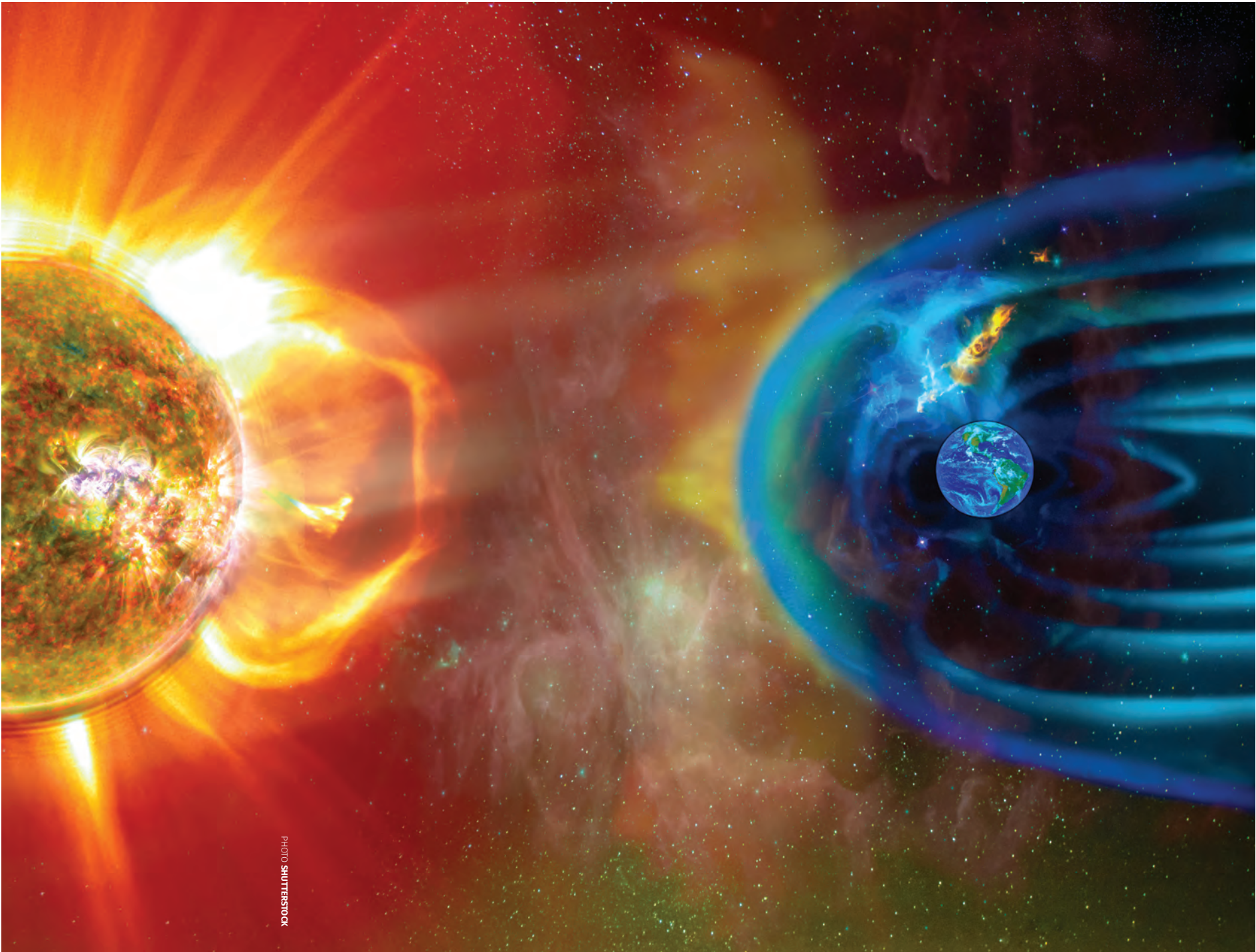


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workforce is placing increasing value on diversity, equity and inclusion in the workplace. If these matters are not adequately addressed, they could lead to significant talent drain from both the country and company, especially when the pandemic has hastened trends for remote work and cross-border employment to make it easier to find work abroad.

In the face of the significant risks arising from sustainability concerns, companies must carefully examine how their business strategy, operations and reporting are affected by environmental, social and governance (ESG) factors, not least because the same risks can be converted into opportunities instead, with strategic forward planning. In the agriculture sector for example, with the onset of less predictable weather patterns, companies can leverage technologies like precision agriculture and vertical farming to build resilience and maximise both crop yield and quality.

Introducing sustainability thinking as an integral part of the business may seem daunting to many. Against a long list of priorities and competing demands, including those not immediately related to sustainability such as digitalisation or profitability, it can be difficult for companies to even pinpoint a starting point, let alone deliver and report meaningful results in sustainability performance. We hope this article will assuage some of their doubts and encourage them to embark on the sustainability journey – sooner rather than later.

SUSTAINABILITY IS A JOURNEY

As the saying goes, a journey of a thousand miles begins with a single step. This applies not only to companies but to their stakeholders,

<sup>1</sup> Singapore Exchange Regulation & Centre for Governance and Sustainability, NUS Business School. (May 2021). SGX Sustainability Reporting Review 2021. [https://api2.sgx.com/sites/default/files/2021-05/Sustainability%20Reporting%20Review%202021\\_p.pdf](https://api2.sgx.com/sites/default/files/2021-05/Sustainability%20Reporting%20Review%202021_p.pdf)



**“Everyone has a critical role to play in contributing to the sustainability agenda. Within ISCA, every department has a niche to fill within its scope of work to formulate and execute sustainable practices. Therefore, I am pleased to lead the newly formed ISCA Sustainability Reporting Taskforce to develop and implement initiatives and reporting relating to ISCA’s sustainability performance.”** –Fann Kor, Chief Executive Officer, ISCA

such as regulators, investors and financial institutions. Given the relative nascence of sustainability reporting and the wide-ranging nature of sustainability topics, they present unique opportunities for companies and their stakeholders to engage and learn from each other and progress together in advancing their respective sustainability agendas.

In 2016, the Singapore Exchange (SGX) mandated sustainability reporting for listed companies on a “comply or explain” basis from financial year ended on or after 31 December 2017.

By end-2020, according to the Sustainability Reporting Review 2021 by SGX and the National University of Singapore’s Centre for Governance and Sustainability<sup>1</sup>, 566 of 569 listed companies had released their sustainability reports. The same study observed largely heartening progress made in the sustainability reporting of listed companies since the previous study in 2019.

SGX, after a public consultation in 2021, bolstered the listing rules pertaining to sustainability reporting by introducing a roadmap for listed companies to provide climate-related disclosures. Climate reporting based on the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD Recommendations) will be required on a “comply or

explain” basis from financial year commencing in 2022, and will be mandatory for certain sectors from financial years commencing 2023 and 2024, as applicable.

The sustainability journeys of SGX and the companies listed on it are evidently intertwined. The bold first step of SGX back in 2016 kickstarted the development of sustainability reporting by listed companies and together, they continue to cover significant ground in sustainable practices and sustainability reporting in the following years.

Likewise, ISCA’s own sustainability journey is dynamic and seeks to always position accountants at the forefront of global sustainability developments and elevate their role in driving sustainability within their organisations. For example, when SGX issued new listing rules for mandatory sustainability reporting in 2016, ISCA issued the *Sustainability Reporting Implementation Roadmap and ISCA Sustainability Roundtable Report – Chief Financial Officers for Sustainability Reporting*, via the then-Corporate Reporting Committee (CRC), which in combination provided clarity over how Chief Financial Officers can spearhead sustainability and how organisations can kickstart their





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sustainability reporting journeys. Since then, the global sustainability movement has grown in prominence, and ISCA recognises that building awareness for sustainability reporting is no longer adequate. This is reflected in the renaming of the CRC to the Sustainability and Climate Change Committee (SCCC), which better describes its renewed purpose and planned initiatives.

As more companies look to mature in their sustainability reporting, ISCA, as the national accountancy body, will also look both outward and inward to rechart the way forward, in order to lead by example and continue to influence positive change in the ecosystem. For this purpose, the ISCA Sustainability Strategy was formulated to institutionalise sustainability as a strategic focus and guide the path ahead.

ISCA SUSTAINABILITY STRATEGY

The ISCA Sustainability Strategy comprises three Cs: corporate citizenship, capability building, and collaboration with like-minded organisations (Figure 1).

As seen in Figure 1, the three pillars are not intended to be executed in isolation. Initiatives within each pillar may straddle two or more pillars and fulfil potential synergies. For instance, under the pillar for collaboration with like-minded organisations, ISCA will explore potential partnerships with government agencies, academics, accounting firms, international bodies and other professional accountancy organisations to accomplish common objectives, including those relating to environmental and social stewardship and capability building of the accountancy profession.

By pooling resources, expertise and perspectives, thought leadership materials or research projects can be jointly developed or shared with each other. Greater cooperation can be fostered to share best practices or hold joint events. By sharing knowledge, every party avoids reinventing the wheel and maximises the efficiency of resources dedicated to helping accountants understand how sustainability relates to their role in their organisations.

As ISCA advances on its sustainability strategy, here is what members and the public at large may expect in the coming months.

Under the corporate citizenship pillar, ISCA will continue to carry out corporate social responsibility (CSR) initiatives that have a meaningful impact on the communities around us via our ISCA Cares charity. These initiatives would include bursaries for needy students and pro bono accounting work for charities.

ISCA will also continue to examine ways to reduce resource usage and finetune processes for measuring key metrics against performance targets. We will also go one step further and explore commitments and pledges to climate goals, including the



Figure 1 ISCA Sustainability Strategy

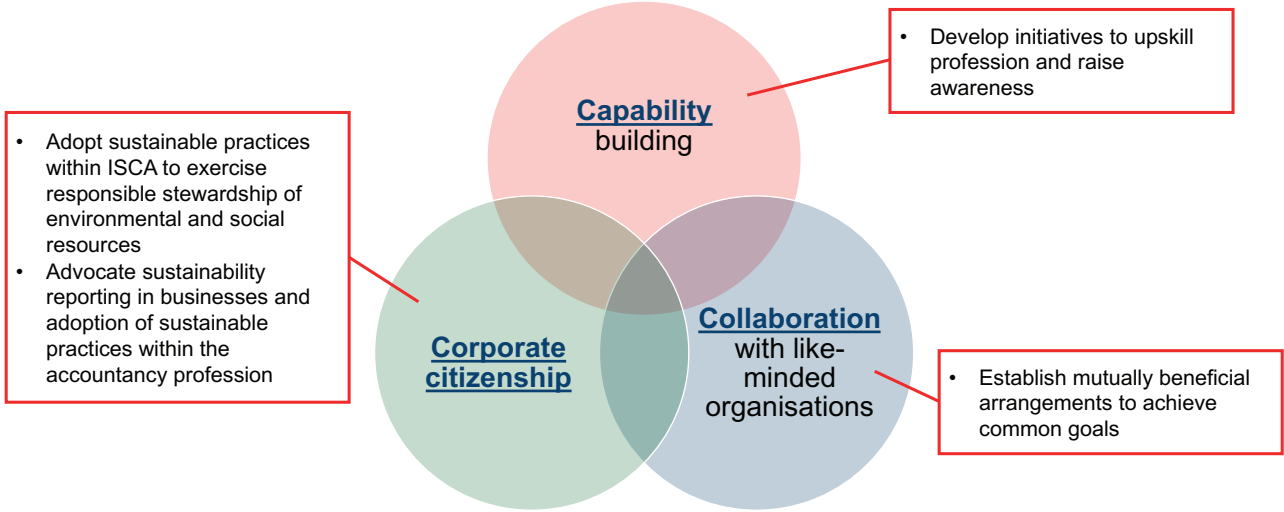






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Singapore Green Plan 2030.

Under the capability building pillar, ISCA will continue to uphold the technical expertise and professional development of our members, especially in emerging areas like sustainability. The Continuing Professional Development team will continue to curate meaningful content, with the objective to create greater awareness of how Chartered Accountants can play a role and be a difference maker when it comes to driving ESG in the organisation. For example, in 2022, ISCA added the Mini Conference Series to its stable of thought leadership events; the series will focus on keeping members abreast of megatrends shaping the global market and business ecosystem. The inaugural Mini Conference on April 20, “Embracing new opportunities in the changing climate”, will shed light on climate action and reporting matters.

In addition, sustainability-related guidances, research projects and training on pertinent topics like climate-related disclosures, green finance, career prospects and necessary skill sets, growth opportunities for small and medium-sized enterprises (SMEs), and diversity are in the pipeline for 2022.

These resources will be made readily available to members on ISCA’s website and complemented by drip content for bite-sized consumption. Stay tuned for our Sustainability Hub, which will be a one-stop shop on ISCA’s website for sustainability-related resources and more.

The capability building pillar will drive initiatives that address the learning needs of our members, especially those relating to emerging topics or developments. One such initiative is ISCA’s upcoming climate-related disclosure guides.

**ISCA CLIMATE-RELATED DISCLOSURE GUIDES**

At COP 26 in November 2021, the IFRS Foundation Trustees announced the formation of a new International Sustainability Standards Board (ISSB) to develop IFRS Sustainability Disclosure Standards that will first begin with climate-related disclosures before covering other important sustainability topics. This decision and the decision by SGX to introduce climate reporting were made after robust public consultation and reflected the deep concerns of investors and other stakeholders in mitigating climate change, and their demand for decision-useful climate-related information.

In view of SGX’s updated listing rules related to climate reporting, ISCA will develop a series of guidances on adopting climate reporting in line with the TCFD Recommendations, with the support of SGX. The guides will share practical considerations and best practices to provide direction in navigating the various recommended disclosures in the TCFD Recommendations, meeting SGX’s listing rules in the process. They will also be useful to non-listed companies that seek to apply the TCFD Recommendations voluntarily.

The first volume of this initiative shares best practice disclosures observed from forerunners of climate reporting in Singapore and around the world. Before providing references to these exemplary disclosures, the guide first offers a salient introduction of the TCFD Recommendations and other useful resources for further reading. More importantly, it also provides key considerations to plan ahead towards the end goal of meaningful climate reporting.

To supplement the recommendations and disclosure examples within, the guide shares the learning experiences of a few local early adopters which will provide other companies with valuable insights as they embark on their climate reporting journey. Furthermore, by providing the early adopters’ personal reflections on their journeys in attaining high-quality climate reporting, users will be able to appreciate how the preparation of climate-related disclosures is a constant iterative process, after committing to the objective. Users may be inspired by how early adopters were already able to reap tangible rewards, such as the identification and mitigation of significant physical risks, in the course of enhancing their climate-related disclosures. In this respect, the journey is indeed more important than the destination.

The first volume of the ISCA climate-related disclosure guides was published this month and may be accessed on ISCA’s website. Subsequent volumes will delve into more advanced topics, which could include industry-specific guidance or aspects of the TCFD Recommendations like scenario analysis.

**CONCLUSION**

Just as tropical rainforests are the lungs of the planet, people are but one organ crucial to the continued flourishing of the planet and life on it. We urge all accountants to play a part to protect our home on both the professional and personal fronts. ISCA is committed to helping the accountancy profession and business fraternity rise to the challenges of meaningful sustainable development and sustainability reporting. More information about our initiatives under the three pillars of our sustainability strategy will be shared in the coming months. **ISCA**

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