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Over 70% of large Singapore listcos aiming for net-zero emissions by 2050: study

But more of these companies need to set interim milestones and disclose how executive pay is tied to climate performance

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SOME 71 per cent of billion-dollar issuers on the Singapore Exchange (SGX) have set a target to hit net-zero emissions by 2050 or earlier, a study released on Monday (Jul 8) reported.

However, many have not disclosed the interim milestones towards achieving their targets, said the study by the Accounting and Corporate Regulatory Authority (Acra) and the National University of Singapore's Sustainable and Green Finance Institute (SGFIN).

The study examined the financial year 2022 climate disclosures of 51 Singapore-listed companies, whose market capitalisations exceeded S$1 billion as at Jul 4, 2023.

Of the 51 companies, 80 per cent fully disclosed targets to cut carbon emissions and gave the timeframe for them. The high rate of target setting among these companies indicated "a strong commitment" to long-term climate goals, noted the study.

But over half of the 51 companies, or 53 per cent, did not disclose their interim milestones. "This omission hinders stakeholders' ability to gauge progress toward the long-term goals, making it challenging to assess the effectiveness of the strategies over time," said the study.

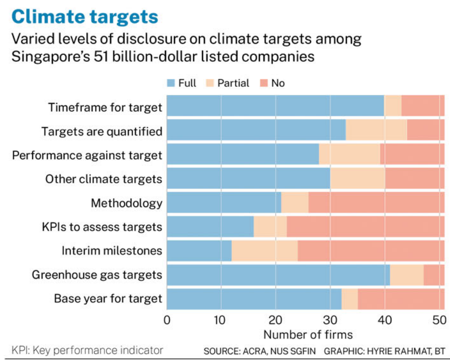
The companies have made a "good start" by setting net-zero targets, but now it is important to measure progress towards those targets accurately, Acra's assistant chief executive Kuldip Gill told *The Business Times*.

"We do need to know how they are progressing, and whether they are on track to meet their targets. Most importantly, investors and lenders want to have more comprehensive disclosures around these targets," she said at a press briefing on Monday.

Targeting net-zero emissions without a proper strategy "can also potentially be greenwashing", said Zhang Weina, deputy director of SGFIN.

The study also called for more transparency on how a company's board is involved in shaping performance objectives, which would enable investors to assess the board's involvement and strategic alignment with climate goals.

Further disclosure is also needed in how executive pay is tied to climate performance. Only 6 per cent of companies studied had done so, the study added.



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> Kuldip Gill, Acra's assistant chief executive

CapitaLand Investment, which had both net-zero and interim emissions targets, was cited as a positive example. The company's sustainability report disclosed how its remuneration policy was tied to specific climate-related metrics.

It is not enough to simply have such policies, but there is a need to design them well to balance long- and short-term goals, said Dr Sean Shin, research affiliate at SGFIN.

"If we only promote long-term performance, they can just blame all the short-term (fails) by saying it's all for the long term. That's why we have to find a good balance – that's very tricky," he told BT.

The findings come as SGX issuers will soon be required to make climate disclosures aligned with the International Sustainability Standards Board (ISSB), a global accounting standards body, from FY2025. Climate disclosures have already been required on a "comply or explain" basis since FY2022, but companies were able to use standards developed by other bodies such as the Global Reporting Initiative. The ISSB consolidates various standards, and is viewed as the global baseline for climate disclosures.

About 78 per cent of the companies in the study are from five carbon-intensive sectors – financial; agriculture, food and forest products; energy; materials and buildings; or transportation.

On track

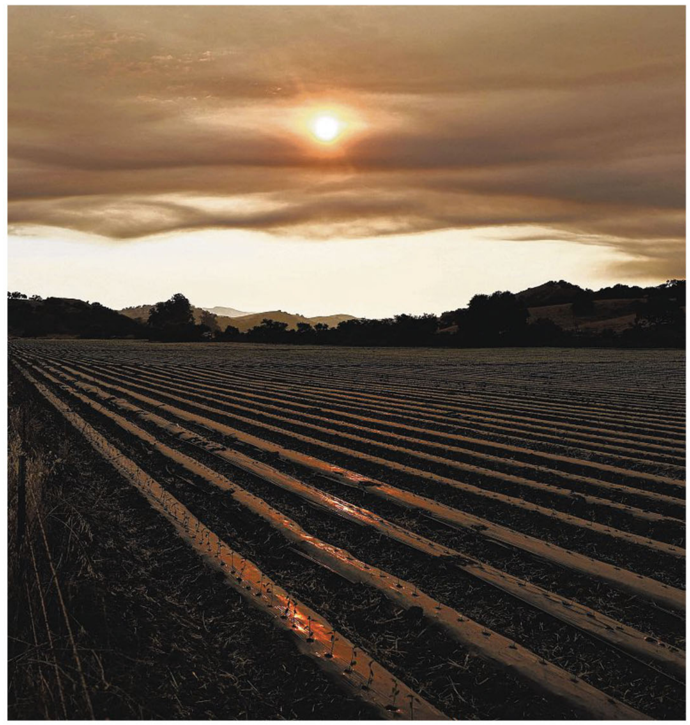
Most of the companies studied generally did well in disclosing their emissions levels, as well as governance, strategy and risk management related to climate issues.

Of the 51 companies, nearly all, or 96 per cent, had disclosed the Scope 1 carbon emissions arising directly from their business. All of them disclosed Scope 2 emissions, which are associated with energy consumption.

Disclosure of Scope 3 emissions, which arise from a company's supply chain, was lower at 59 per cent, but showed "good progress", the study said.

Nearly all, or 94 per cent, of the companies had assigned roles or formed committees to deal with climate risks and opportunities. Around three-quarters of them had also fully described their process of reporting to and involving the board in climate matters.

About 88 per cent of the companies disclosed the physical and transitional risks related to climate, and 61 per cent included the related opportunities, such as tech group ST Engineering.



Just under a quarter of companies made full disclosures on the significance of climate risks compared with other risks, with only 10 per cent explaining their potential magnitude PHOTO: AFP

Three-quarters of the companies had also carried out scenario analyses to assess how well their operations and financial positions could withstand the effects of climate change,

While acknowledging these efforts, the study said that the "critical context" of the scenario analyses, such as assumptions and reasons for selecting the scenarios, was often not clearly explained.

It also noted that only 16 per cent of the companies fully disclosed how they incorporated climate risks in their financial planning. These included Singapore Airlines, whose sustainability report described the potential financial impact for each material risk.

In addition, just under a quarter of companies made full disclosures on the significance of climate risks compared with other risks, with only 10 per cent explaining their potential magnitude.

"This suggests room for improvement, as such information is necessary for investors to evaluate the company's readiness in facing the upcoming economic and regulatory changes, including the transition to a lower-carbon economy," said the study's authors.

Reporting readiness

The study seeks to guide companies in adopting best practices in climate reporting, said Gill. The ultimate aim is to "empower companies to make transparent disclosures, enhance their access to green financing, and facilitate their transition to a greener business model", she added.

Several initiatives have been rolled out to help SGX issuers in meeting the upcoming reporting requirements.

For instance, the Singapore Economic Development Board and Enterprise Singapore will launch a Sustainability Reporting Grant to provide funding support for eligible companies to produce their first sustainability report in Singapore, before mandatory reporting takes effect.

The Singapore Business Federation is also working on a Singapore Emission Factors Registry, which will help companies calculate their emissions using business-activity data. The effort is in collaboration with the Agency for Science, Technology and Research, PwC Singapore and Singtel.