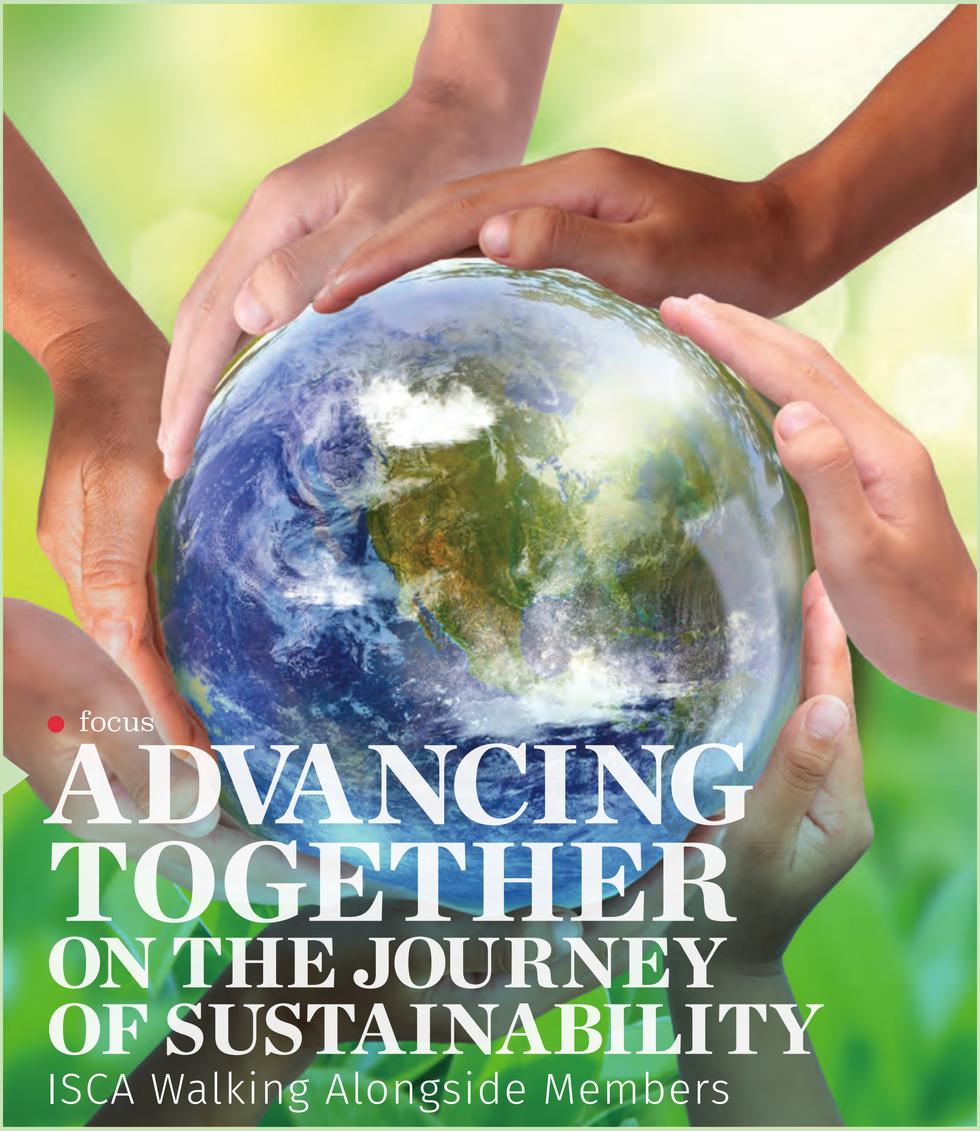
IS Chartered Accountant Journal

APRIL 2022



focus

ADVANCING TOGETHER ON THE JOURNEY OF SUSTAINABILITY

ISCA Walking Alongside Members

ISCA INSTITUTE OF SINGAPORE CHARTERED ACCOUNTANTS

IS Chartered Accountant Journal
APRIL 2022

Sustainability: Everyone Has A Role To Play

Dear members,

IN RECENT YEARS, sustainability has become a focal point for businesses, communities and governments the world over. Against this backdrop, it is more important now than ever before for the Institute and the accountancy profession to evolve and adapt to sustain our relevance and thrive in today's climate. In combating climate change, the accountancy profession has a pivotal role to play. Being stewards of capital and corporate reporting, we are in an influential position to help businesses inculcate a sustainability culture and accelerate business practices in sustainability in wide-ranging areas from planning and strategy to improving processes and measuring performance.

Sustainability as an area of focus is not new to Singapore. As a major global financial centre, it is crucial for our city-state to be at the forefront of emerging trends to sustain its leading position. Since 2013, ISCA has been updating members about the developments and implications relating to integrated and sustainability reporting in this journal and through our thought leadership publications and resources, CPD courses and events. With the renewed impetus towards sustainability, the Institute will continue to support members and the profession in being difference makers driving the sustainability agenda in their organisations.

As the national accountancy body, ISCA must walk the talk and lead by example. To this end, the Institute has developed a holistic sustainability strategy to formalise sustainability as a strategic focus and steer us on the path ahead. The strategy consists of three pillars – corporate citizenship, capability building, and collaboration with like-minded organisations. The pillars are intentionally interconnected and overlapping so that we can optimise the potential synergies. With this strategy, we plan to build capabilities in accountancy professionals to enable them to identify, promote and pursue sustainability opportunities for their organisations. The strategy will also drive sustainability practices within ISCA and, with CEO Fann Kor taking the lead, it sends a clear message about our deep commitment to sustainability. Read about the details and what you can expect from the Institute in the cover story "Advancing Together On The Journey Of Sustainability" and "Updates From The CEO".

Given that sustainability is fast becoming an integral part of organisational strategy, the next generation of accountants should get the requisite training while they are in school. This suggestion, broached in "Accounting Education For Sustainability", forwards a multidisciplinary approach that trains students to look at the big issues. So while they are taught the core competences in accounting, they are also instilled with the ability to critically analyse the role of accounting-related ideas, tools, and information in the bigger picture of the ecosystem we live in and its sustainable development. What do you think? Will this adequately equip accountants of the future for their expanded roles?

As some of you may know, I will be stepping down as ISCA President in April, after the AGM. It has been a fruitful, if challenging, journey. I am encouraged that as a profession, we have met the diverse challenges with agility and resilience, and I look forward to the increasingly vital role the accountancy profession will play in driving sustainability and being part of the solution regarding the climate crisis.

My heartfelt appreciation goes to my office bearers, fellow Council members as well as the management team and staff at ISCA for stepping up during this challenging time to support members and the profession with dedication, while tackling the numerous obstacles arising from the pandemic.

Most of all, I would like to thank our members for their unwavering support and confidence in ISCA. Our members inspire us to do our very best each and every day. Indeed, it has been my deepest honour and pleasure to serve the profession over the past four years.

Kon Yin Tong
FCA (Singapore)
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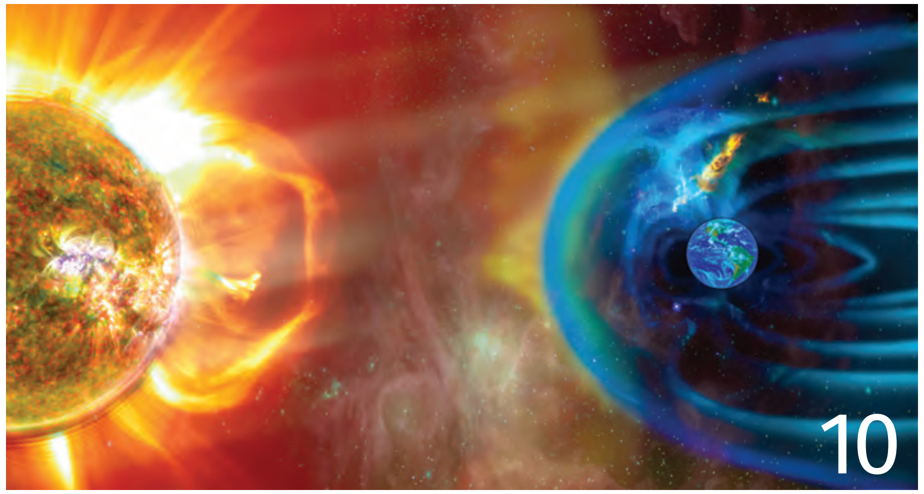

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CTO-as-a-Service For SMEs' Digital Transformation

SMALL AND MEDIUM-SIZED ENTERPRISES (SMES) which require support for their digitalisation journeys can tap on Infocomm Media Development Authority's Chief Technology Officer-as-a-Service (CTO-as-a-Service). The service, which was used by selected early SME users across various sectors since December 2021, has achieved positive early results, and is now open to all SMEs.

CTO-as-a-Service is a one-stop platform for SMEs to access digitalisation resources. Through the service, SMEs can self-assess their digital readiness and needs, as well as gain quick access to market-proven, cost-effective solutions supported by reliable vendors. It also connects them to a pool of digital consultants who can help them in their digitalisation projects, from assessing their needs to customising their digital solutions, incorporating cybersecurity measures through to implementation.

PHOTO SHUTTERSTOCK

CTO-as-a-Service resources

SMEs can use the one-stop platform service to access digitalisation resources to:

- Perform a self-assessment of their digital readiness levels and identify their digitalisation needs and gaps;
- Discover and learn from other SMEs that have successfully implemented digitalisation projects to raise their digital readiness levels;
- Receive immediate recommendations based on their business needs and profile, on relevant subsidised digital solutions that they can adopt;
- Compare more than 450 digital solutions, by their functions and subscription fees. These digital solutions cover sector-specific needs across various sectors and common business support functions, thereby helping businesses to streamline operations to improve efficiency, enhance business revenue and safeguard business resiliency.

Shared pool of digital consultants

Given that SMEs are at varying levels of digital readiness, and many do not have the resources for dedicated inhouse expertise to implement digitalisation projects, CTO-as-a-Service connects SMEs to a pool of digital consultants who can help them in their digitalisation process. Of the SMEs that have used CTO-as-a-Service, close to three quarters tapped on these digital consultancy services.

Through CTO-as-a-Service, the digital consultants will work with SMEs to:

- Seek a deeper understanding of their business needs and priorities;
- Tailor digital solutions and training roadmap for their business;
- Incorporate essential cybersecurity risks, basic data usage and protection requirements into their digital roadmaps;
- Provide project management services to help SMEs see through the implementation of their digitalisation projects.

The first-time usage of digital advisory and project management services, requested through CTO-as-a-Service, is available at no cost to eligible SME users. Subsequent usage or enhancement of services will be based on commercial agreements, should the SMEs want to continue to engage the digital consultants.

The first-time usage of digital advisory and project management services, requested through CTO-as-a-Service, is available at no cost to eligible SME users.

Feedback from SMEs

Responses to CTO-as-a-Service have been positive. Early users highlighted that by conducting a quick assessment of their digital readiness through the platform, they were able to better decide on which digital solutions they should implement that would best meet their business needs. They also cited the convenience of having the relevant information, such as digital solutions and grant support, in one location.

SMEs that have proceeded to engage the digital consultancy services through CTO-as-a-Service noted that the digital consultants were well versed in helping them to develop digital solutions and training roadmaps tailored to their business needs and priorities.

For small business owner Joy Chia, Founder of Pawsible LLP, who did not have any inhouse IT expert nor much understanding of the business' digitalisation needs and priorities, CTO-as-a-Service enabled her to "check our digital readiness and identify digitalisation gaps". Through the recommendation of the digital consultant, she has put in place a Customer Relationship Management system to better manage her business interactions with customers online. She shared that the daily operations are more efficient and productivity is up by 30%.

MARK YOUR CALENDAR

21 APR

Impairment of Assets – Recognition and Reporting (Live Webinar)

This course aims to extend comprehensive solutions to accountants in reporting asset impairment for cash generating and non-cash generating asset.

Reporting asset impairment as required by IAS 36, can be performed with great confidence.

25 APR

Reducing Your Effective Tax Rate Through Tax Incentives and Negotiation (Live Webinar)

How many of you want to know how tax incentives are negotiated with the relevant government agencies so that you are able to better position yourself using the techniques of experienced tax practitioners? How many of you realize that it is only the beginning when your organization is awarded tax incentives and there are still a significant amount of compliance issues with the incentive's terms and conditions? Find out more.

28 APR

Leveraging Power Pivot and Power Query in Microsoft Excel

If you need that additional flexibility in reporting not available in regular pivot tables, then this course focusing on Excel Data Models and Power Pivot is for you. Participants should have an adequate knowledge in PivotTable and PivotChart in order to benefit most from the course.

04 MAY

Presentation skills - Present Like a Professional

This interactive workshop aims to develop learners' ability to think and present on their feet. You will learn to think creatively, develop clear messages, and deliver them confidently in quick time without notes. You will also be able to polish your speech by improving diction and enunciation.

05 MAY

Managing Cash Flow and Credit Risk (Live Webinar)

As economic volatility escalates, cash flow becomes more unpredictable. Proactive managers should become cash flow driven.

Learn to identify the cost of credit and impact on business profitability. Understand the essential components of credit and cash flow management.

05 MAY

Ethical Issues in Fair Value Accounting (Live Webinar)

Professional accountants in business are often involved in the preparation of financial related information used by numerous stakeholders. As such, some of the following questions may arise:

- When is fair value and value in use required?
- What are the key valuation inputs required? How do we assess its reasonableness?
- Which fundamental principles may be threatened?
- How can we practically eliminate or reduce such threats?

With the rising importance of sustainability and higher expectations on companies to commit to ESG efforts, SGX has mandated climate-related disclosures from financial year 2022.

In partnership with SAC Capital, ISCA has created the Sustainability E-Training for Directors programme, a prescribed course that directors may attend to fulfil the new SGX requirements. Enhance your understanding on sustainability reporting and the impact of climate change on your businesses and learn how ESG and climate-related risks can be disclosed in your annual reports. 4 hours of e-learning for Company Directors and CFOs, accessible anytime, anywhere.

Dates and events are subjected to change without prior notice.
For more details, visit www.isca.org.sg

Diverse Leadership Brings Better Firm Performance: Singapore Study

A STUDY OF 577 PUBLICLY LISTED COMPANIES IN SINGAPORE HAS SHOWN THAT DIVERSE LEADERSHIP PAYS OFF. The analysis shows that a firm's performance is highest when it has an equal number of male and female leaders in senior management and board positions. Firms also fare better when they have leaders with more than 10 years of industry experience. In contrast, firms with a high proportion of leaders aged over 60 years do not fare as well.

The report, "Leadership Diversity And Firm Performance: A Study Of Singapore-Listed Companies", released in February this year, was developed and led by the Centre for Governance and Sustainability (CGS), National University of Singapore (NUS) Business School. The study was jointly conducted by CGS, Connecting the Dots and Edge Strategy, with supporting partners DBS and Securities Investors Association (Singapore).

The study looks at the degree of diversity in age, educational qualifications, gender, and industry experience of board members and leaders in Singapore-listed companies, as well as the companies' performance.

The more diverse in age, educational qualifications and gender the leaders are, the better the company performs.

Leaders with more than 10 years of experience make an impact

The benefit of diversity does not apply to industry experience, where only leaders with more than 10 years of experience in their specific industry led to a statistically significant positive impact on the firm's performance. Specifically, a 10-percentage point increase in the proportion of leaders with more than 10 years of experience contributes to a 0.59 to 0.68-percentage point increase in the return on assets (ROA) ratio, which measures how well a company does in relation to its assets.

In contrast, a 10-percentage point increase in the proportion of leaders aged over 60 years causes a 0.41 to 0.63-percentage point decrease in ROA. The study could not find any statistically significant impact of increasing the proportion of leaders aged under 60 years on ROA.

Equal number of male and female leaders is ideal

Increasing the proportion of female leaders is good to a certain extent. A 10-percentage point increase in the proportion of female leaders contributes to a 0.44-percentage point increase in ROA.

The growth in ROA from more female leaders peaks when the number of female leaders equals that of male leaders, and declines when the proportion of female leaders is more than half.

This suggests that companies should aim for an equal number of male and female leaders. Companies have more to do to raise the ratio of female representation. Data from the Council for Board Diversity shows that for the first half of 2021, listed companies on the Singapore Exchange reported only 13% of women participation on boards.

The CGS research team was unable to conclude the effect of gender pay gap on firm performance due to the limited data. Among the 577 publicly listed companies, only 15% disclose the exact remuneration and have at least one female leader.

According to Professor Lawrence Loh, Director, CGS, the study employs "a holistic consideration of multiple dimensions of diversity, including and beyond gender", and the results will guide companies in their "framing of diversity policies to meet the emerging requirements of regulators and stakeholders".

"Gender diversity on boards, which is an important theme in Singapore, requires a gender-balanced approach at all levels including at universities and within companies. A strong and diverse leadership talent pipeline for board roles can best be achieved when the benefits of diversity are top of mind," says Juanita Woodward, Principal, Connecting the Dots.

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Progress In Women's Participation On Singapore Boards

In Singapore, women's participation on Singapore boards (WOB) showed further progress last year, based on statistics compiled by the Council for Board Diversity (CBD).

WOB rose significantly in the largest private and public sector organisations (Table 1). The progress is an encouraging signal of leadership commitment to diversity in uncertain and difficult times.

The data showed that women held 18.9% of board seats on the largest 100 primary-listed companies on SGX as at 31 December 2021, up 1.3 percentage points from 17.6% a year earlier. Top 100 companies further lifted WOB by 0.8 percentage points to 19.7% on 1 January 2022, with the appointment of 11 women directors. This is in addition to the 25 women directors appointed in 2021. During the same period (1 January 2021 to 1 January 2022), 20 women directors stepped down.

Table 1 Women on Singapore boards (by sector)

	Targets by Council for Board Diversity	% WOB as at 1 Jan 2022	% WOB as at 31 Dec 2021	% WOB as at 31 Dec 2020
Top 100 companies	25% by 2025, 30% by 2030	19.7% (167/846)	18.9% (157/831 seats)	17.6% (151/860 seats)
All 65 statutory boards	30% as soon as possible	-	29.7% 275/925 seats)	27.5% (250/908 seats)
Top 100 IPCs	30% as soon as possible	-	28.4% (400/1,408 seats)	28.8% (394/1,368 seats)

Source: Council for Board Diversity, March 2022

Women chaired 23% of statutory boards as at end-2021, 9% among Top 100 companies, and 16% among Top 100 IPCs (Table 2). Boards led by women across the three sectors tend to have a higher percentage of WOB, which probably indicates that boards with female chairs are more likely to have embraced a broad range of diversity.

Table 2 Women in board chair positions (by sector)

	Board chaired by women (number of boards/total number of boards)	Average % WOB of boards chaired by women	Average % WOB of boards chaired by men (includes all-male boards)
Top 100 companies	9% (9/100)	29.7%	17.0% (includes 17 all-male boards)
Statutory boards	23% (15/65)	41.4%	26.5%
Top 100 IPCs	16% (16/100)	46.2%	25.6% (includes 4 all-male boards)

Source: Council for Board Diversity, March 2022

The percentage of board appointments who were first-time directors reached 59% in 2021 – the highest since tracking began in 2015. The growth of first-time directors enlarges the pool of board talent in the market. The rise in board renewal coincides with the coming-into-force of the nine-year rule on director independence announced in 2018, which took effect on 1 January 2022.

Almost 40% Women On UK's FTSE 100 Boards

In new data released this February by the FTSE Women Leaders Review, the UK has experienced a sea change, with almost 40% women representation on boards at the FTSE 100 level. This compares to just 12.5% women representation 10 years ago. The government-backed FTSE Women Leaders Review monitors women's representation in 24,000 positions on FTSE 350 boards and in leadership teams of the UK's biggest companies.

The latest findings demonstrate a major change in attitudes to getting women leaders to the top table of business in the UK, with women's board representation increasing in 2021 across the FTSE 100 (39.1%), FTSE 250 (36.8%) and FTSE 350 (37.6%) (Table 3). The report highlights the success of the UK government's voluntary, business-led approach to setting targets for getting more women on boards.

Table 3 Women on UK boards

	% WOB 2021	% WOB 2020
FTSE 100	39.1%	26.2%
FTSE 250	36.8%	33.2%
FTSE 350	37.6%	34.3%

Source: BoardEx, February 2022

While there has been remarkable progress at boardroom level, the report also shines a light on areas where there is still more to do. For example, only one in three leadership roles, and around 25% of all executive committee roles are held by women; there are also very few women CEOs. Equally, there are still many companies yet to hit the 33% target.

To ensure British companies continue to raise their game and open up opportunities to everyone, the report has set out four new recommendations:

- **The voluntary target for FTSE 350 boards and for leadership teams is increased to a minimum of 40% women's representation by the end of 2025.**
- **FTSE 350 companies to have at least one woman in the Chair, Senior Independent Director role on the board and/or one woman in the Chief Executive Officer or Finance Director role by the end of 2025.**
- **Key stakeholders should continue to set best-practice guidelines or use alternative mechanisms to encourage any FTSE 350 board that has not yet achieved the previous 33% target for the end of 2020, to do so.**
- **Extending the scope of the FTSE Women Leaders Review beyond FTSE 350 companies to include the largest 50 private companies in the UK by sales.**

isca breakfast talk

Preparing For The New Reporting Standards: Essentials For Integrated Thinking

THE STRONG PUSH FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) PROGRESS IS CHANGING THE WAY ORGANISATIONS CAN AND SHOULD DISCLOSE THEIR ESG PERFORMANCE.

At the ISCA Breakfast Talk titled "Preparing For The New Reporting Standards: Essentials For Integrated Thinking" on March 9, Brian Ho, Climate & Sustainability Assurance Leader, Deloitte Asia Pacific and Southeast Asia, shared on how businesses can prepare for the anticipated new ESG reporting standards and the business implications of integrated thinking related to ESG disclosures.

Firstly, it is important to understand the driving forces of this change:

- **Investors** have rising expectations on how ESG performance is presented and communicated, and are becoming increasingly proactive in asking for greater action and enhanced ESG disclosures.
- **Regulators** have put in place more mandatory requirements for ESG disclosure but the outcome of these are inconsistency and lack of comparable information, largely because different countries have different national agendas and therefore different scopes of coverage.
- As a result, **standard-setters** are now rapidly accelerating towards developing a comprehensive, standardised reporting system.

Currently, there are various types of reporting frameworks in the market and ESG disclosure remains largely voluntary in most countries. Answering the call for a more standardised global framework for ESG disclosure and assurance, the International Sustainability Standards Board (ISSB) has been formed to set the IFRS Sustainability Disclosure Standards (Figure 1), expected to be released by the end of 2022, which will give impetus for local jurisdictions to adopt these standards and make ESG disclosure mandatory.

To prepare for the new ESG reporting standards and to effectively connect financial data and ESG disclosure for a more holistic and meaningful engagement with shareholders and regulators, organisations need to change the way they work, and embrace integrated thinking. Mr Ho explained the 4Ps of integrated thinking that should be embedded into an organisation's governance, strategy, risk management, and metrics and targets (Figure 2).

Integrated thinking can help an organisation bring together its different business functions – for example, Finance, Sustainability, Operations, Talent and Supply Chain – in order to do business better, generate revenue and create value. Integrated thinking does not consider just one part of the business; it is about ensuring that every role in the business is part of the ESG ecosystem.

Concluding the session, Mr Ho touched on how climate-related risks could have potential implications on the organisation and the financial statements. For instance, investors have specifically identified climate-related risks as being increasingly important in their decision making, and the organisation itself may be affected by climate change in regard to its supply chain, customers, financing, insurance, and laws and regulations.

Included within ESG are climate-related matters that may create risks or opportunities for the organisation's business. Climate change may affect organisations across various industries. Organisations will do well to consider the different physical and transition risks and opportunities, so that they can effectively disclose the potential financial impact of climate change on their businesses, strategies and financial planning at a time when investors are looking for consistency between climate commitments made by the organisations and the assertions in their annual report and financial statements.

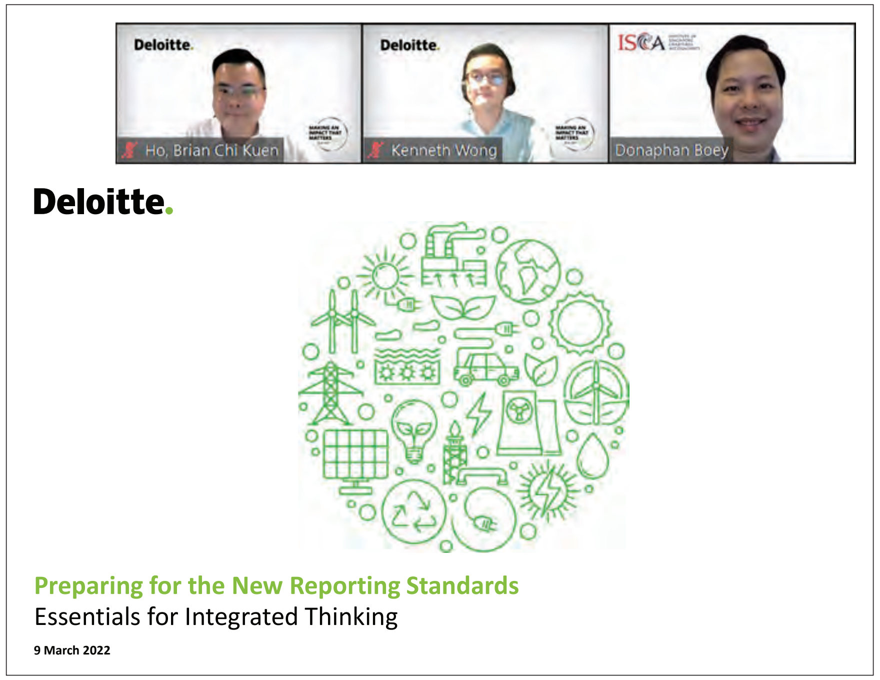


Figure 1

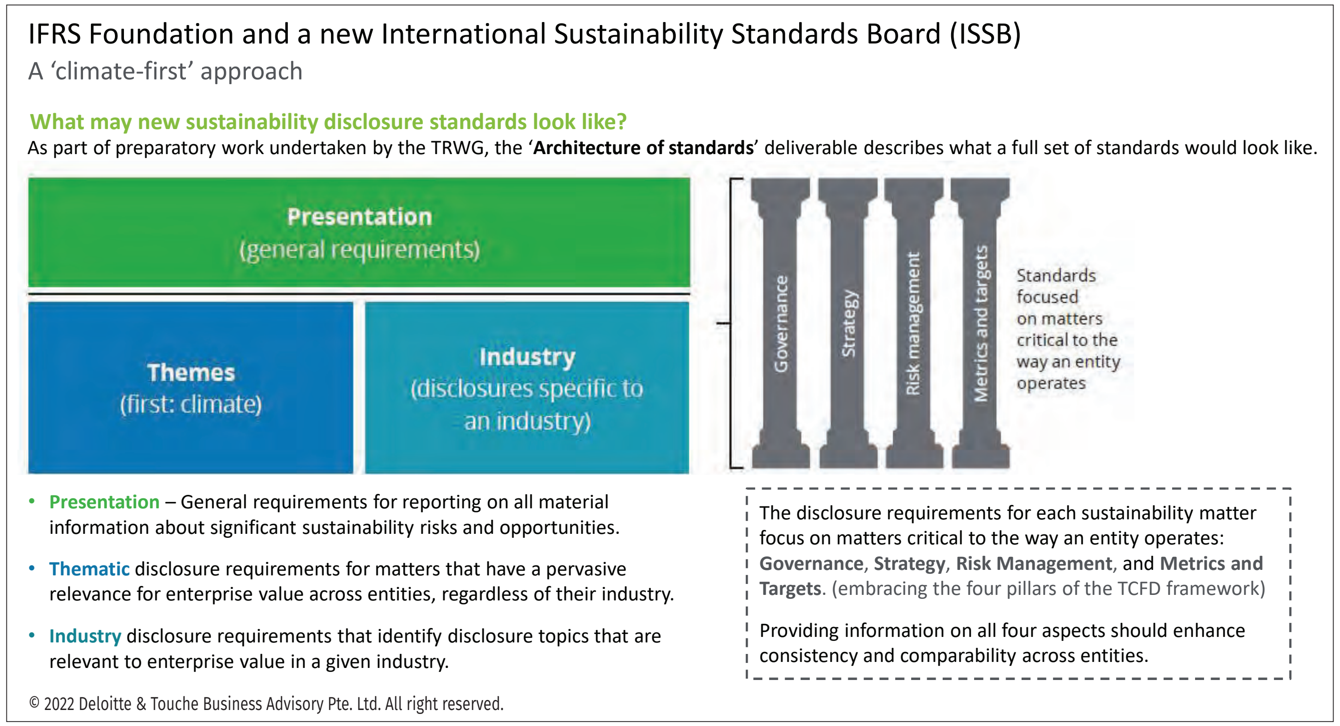
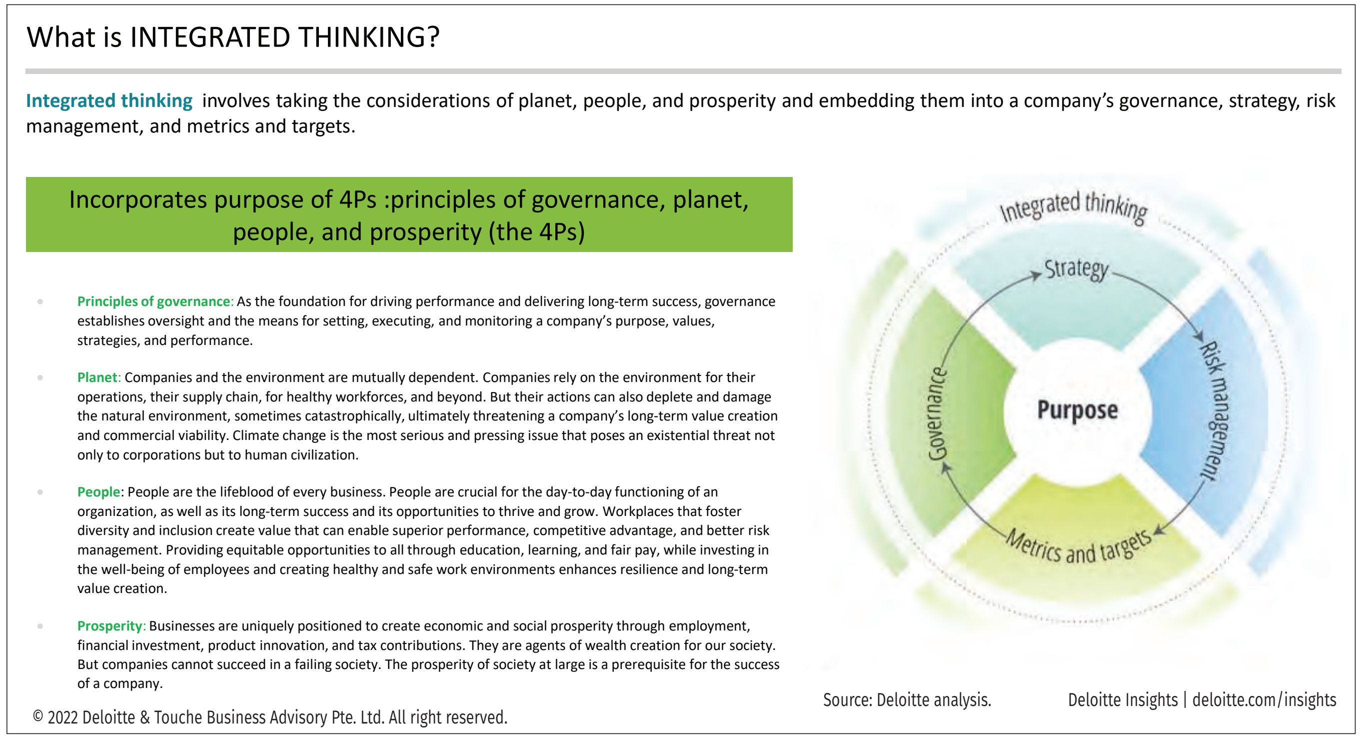


Figure 2



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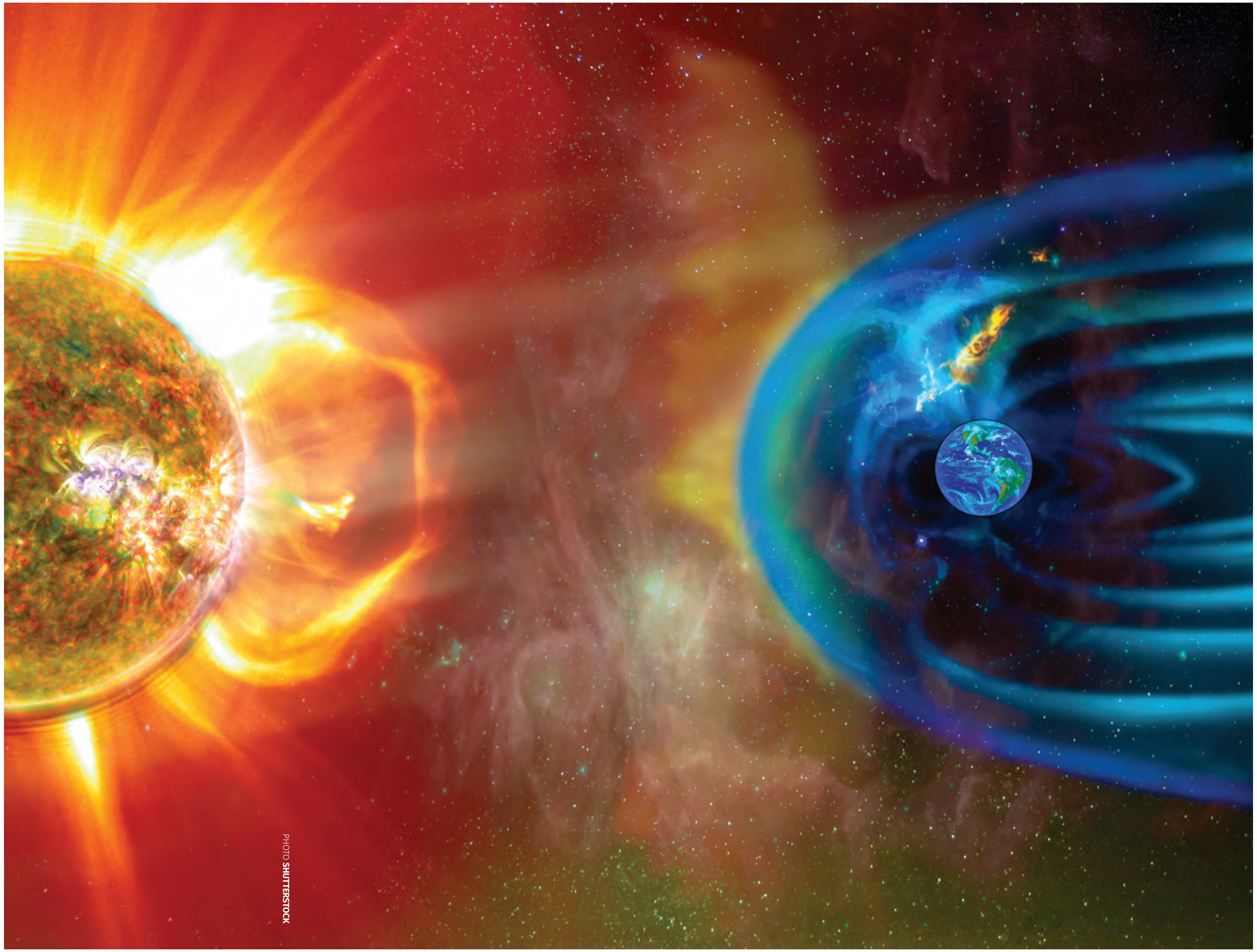
ADVANCING TOGETHER ON THE JOURNEY OF SUSTAINABILITY

ISCA Walking Alongside Members



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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 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,

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> **"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[1], 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

[1] 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

… 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.

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: **c**orporate citizenship, **c**apability building, and **c**ollaboration 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.

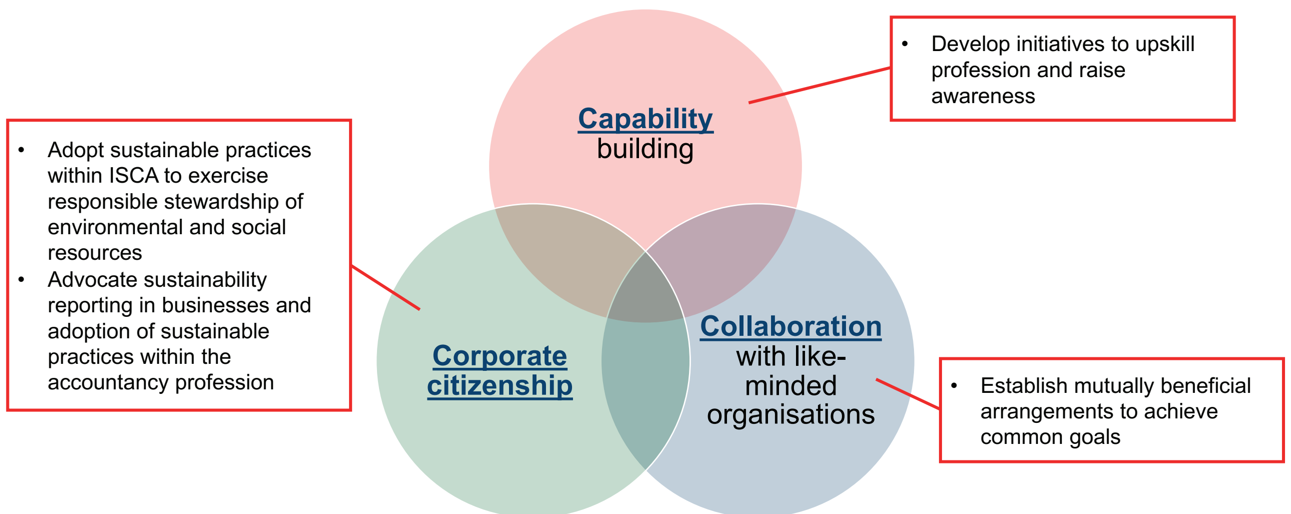
By pooling resources, expertise and perspectives, thought leadership materials or research projects can be jointly developed or shared with each other. Greater cooperation can be fostered to share best practices or hold joint events. By sharing knowledge, every party avoids reinventing the wheel and 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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The ISCA Sustainability Strategy comprises three Cs: corporate citizenship, capability building, and collaboration with like-minded organisations.

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

Donaphan Boey and Terence Lam are from Professional Standards, ISCA.

ISCA President Kon Yin Tong, FCA (Singapore), Managing Partner, Foo Kon Tan LLP

OF LEADERSHIP AND SERVICE

ON APRIL 23, AFTER THE ISCA ANNUAL GENERAL MEETING, KON YIN TONG WILL BE STEPPING DOWN FROM HIS ROLE AS ISCA PRESIDENT AFTER TWO TERMS AT THE HELM. The four-year period has been an eventful one for the national accountancy body, as it has been for Mr Kon himself. In this special feature, we speak to Mr Kon shortly before the end of his term, as he reflects on his tenure as ISCA President.

"This story isn't just about me," says Mr Kon, at the start of the interview. As ISCA President, he took the Institute through the most tumultuous years during the COVID-19 pandemic. He had steered its plans to focus squarely on the members it serves, further grown the organisation's reach through strengthening ties beyond national borders, and laid the groundwork for it to adopt more sustainable practices. But he stresses that none of these achievements are his to claim. "Credit for all the good ISCA does goes to the executives who make things happen," he says. "No business owner will let volunteers run the operations, and that's what I am, a volunteer," the Managing Partner of Foo Kon Tan LLP says in jest. "The executives run this organisation, and they do so to the best of their abilities. As president, I listen and give my input. And, if you are going to fall off a cliff, I will pull you back. Thankfully, there hasn't been a need to do that."

"When I became president, I wanted ISCA to be a world-class organisation," recounts Mr Kon, referring to the Institute's vision statement of being "A world-class accountancy body of trusted professionals, contributing towards an innovative and sustainable economy". This is underpinned by four elements, which he identifies: **I**nclusiveness, **I**nnovation, **I**nfrastructure (put in place for members' professional development and career aspirations) and **I**mpact (a focus on what matters most and creates value for our members), also known as the 4Is. Mission statements aligned with this vision were then developed: to **R**epresent members on matters affecting, and of interest to the profession; to **I**nfluence the development of the accountancy profession and ecosystem positively; to **S**erve public interest by instilling sound values and ensuring right professional and ethical standards, and **E**nable members to achieve their professional aspirations. These mission statements have guided ISCA's development in the last four years, moulding it into an organisation that the profession and market look to for thought leadership, deep technical expertise and career development.

MEMBERS FIRST

For members, these mission statements ultimately translate to a full suite of support, especially needed in trying times. "Our vision remains steadfast even in light of the COVID-19 pandemic. What changed was that we had to act more promptly and decisively to help our members." Mr Kon highlights the key tracks for helping members and the industry cope with the multi-faceted challenges that arose during the pandemic: Career Support, Resources, and Virtual Learning Support.

Under career support, a microsite was set up in collaboration with Workforce Singapore (WSG), featuring a job portal and government schemes for accountancy and finance professionals. ISCA also partnered WSG to organise virtual career fairs for Accounting and Finance Professionals in 2020 and 2021. In terms of resources on technical and business issues, ISCA's online COVID-19 resource centre provided regularly updated content, including technical guidance on issues arising from the pandemic situation as well as government announcements and relevant news reports. Mr Kon was also particularly impressed by the COVID-19 Navigator that was first put out by the ISCA team in April 2020. "Soon after the second budget announcing the different COVID-19 relief measures, we put out an all-encompassing document to help businesses and individuals navigate the plethora of assistance schemes from the government and ISCA, and identify those which are relevant to them," he recounts. "The team worked over the weekend to produce it and, while I am not one to be easily impressed, this was indeed a fine piece of work." The COVID-19 Navigator has since been shared and adopted by other organisations.

The boldest move from ISCA, however, was the setting up of the $8-million ISCA Support Fund in February 2021 to position the profession for success in the new normal. "I am very pleased that the ISCA management came up with the idea of the support fund and the ISCA Council wholeheartedly supported the use of our reserves for it." Of that amount, $3 million was set aside for members to offset their training costs, $2 million was for membership fee waivers for hardship cases, and another

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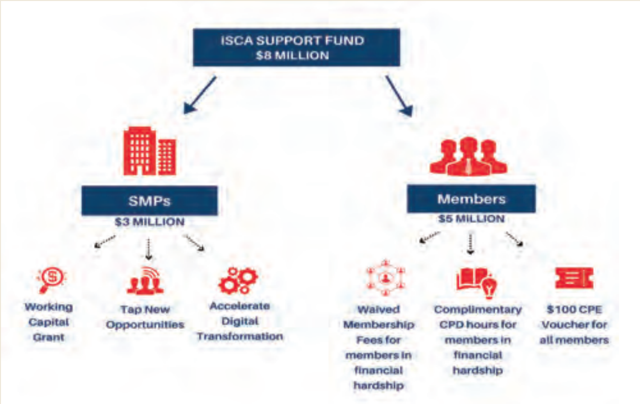


A ISCA established the $8-million Support Fund in February 2021 to support businesses, sustain livelihoods of accountancy professionals and safeguard professional credentials

A Mr Kon, in his role as AFA President in 2018 and 2019, was the voice of the regional accountancy profession

A ISCA signed an MOU with MCCY's Singapore Cares Office to grow skills-based volunteerism in the accountancy profession in 2021

$3 million was used specifically to help small and medium-sized practices (SMPs) to fast-track digital transformation, upgrade their capabilities and generate new revenue streams from high-growth areas. "With a membership of more than 33,000 accountancy professionals working in different roles and across different sectors, ISCA has to provide member-centric offerings that are designed with our members' unique needs in mind. Among these, we also have a big proportion of about 700 SMPs," notes Mr Kon. He goes on to explain the emphasis on supporting SMPs, "SMPs have a multiplier impact on small and medium-sized enterprises (SMEs) and even the bigger economy and our society as they account for the majority of businesses in Singapore," observes Mr Kon. "As such, we focus a lot on supporting this sector." To date, the Support Fund has helped nearly 140 SMPs to tap new opportunities and build digital capabilities.

A ISCA President Mr Kon was invited to address an UNCTAD-ISAR session on sustainability reporting

A Group photo at the ISCA Cares Bursary Awards Ceremony 2018

TAKING THE INDUSTRY FORWARD

During Mr Kon's tenure, specialisation pathways and certificate programmes were launched to upskill the profession. These include the ISCA-SUSS Business Analytics Certification Programme and ISCA Financial Forensics Accounting (FFA) Qualification launched in 2018; and in 2019, the ISCA Infrastructure & Project Finance Qualification (ISCA IPFQ) and Professional Business Accountant (PBA) programme designed to equip accountancy professionals with relevant skills for Industry 4.0. In July 2021, the Audit Committee certification programme was launched.

Beyond specialisation pathways and certificate programmes, ISCA also pushed out myriad resources for members looking to upskill and keep abreast with the latest information. These are especially valuable for members who are unable to commit the time and resources for longer programmes. With a constant focus on digital learning – even before COVID-19 struck – ISCA launched a Web-bitez learning series and thematic mini-conferences. These short webinars with playback options cater to busy professionals' schedules and current media consumption habits. Another resource is the online Knowledge Centre that houses information on the latest developments in audit and assurance, ethics, financial reporting, capital markets as well as sustainability and climate change. To help members and the profession thrive in an increasingly digital world, ISCA has also partnered other organisations to produce research publications on artificial intelligence, blockchain, fintech innovation, data analytics adoption in SMEs as well as digital transformation, job redesign and intelligent automation in the finance function. "We are a small organisation, but we leverage on our network to create a multiplier effect to the benefit of our members," says Mr Kon.

> "**I have always held the view that the overarching principle of a public accountant is to serve the public interest – that is why we do what we do.** Yet, in the past, the term 'public interest' was not in our constitution. They are just two small words, but when put together, they become a big responsibility. If I can take any credit for anything, it is in steering ISCA to take on that responsibility."

The Institute has also ramped up its resources on sustainability, developing a comprehensive ISCA Sustainability Strategy built upon three pillars: a) Corporate citizenship: Involves promoting responsible stewardship of environmental and social resources as well as advocating sustainability reporting in businesses and adoption of sustainability practices within the accountancy profession; b) Build capability and raise awareness via technical guidance, research publications, CPD training and events such as conferences; and c) Collaborate with like-minded organisations to identify and address common needs/areas that would help to set out how the accountancy profession can contribute and progress on sustainability matters.

Apart from building capability and raising awareness via technical guidance, research publications, CPD training and events, the strategy also involves collaborating with like-minded organisations to identify and address common needs/areas to set out how the accountancy profession can contribute and progress on sustainability matters. As part of this strategy, ISCA also hopes to promote the responsible stewardship of environmental and social resources as well as advocate sustainability reporting in businesses and the adoption of sustainability practices within the profession. And, ISCA itself is walking the talk: a sustainability reporting taskforce, which is chaired by the ISCA CEO and includes staff from various departments who have knowledge of ESG matters and the Institute's operations, has been formed. This cross-functional team is responsible for developing and implementing ESG initiatives and delivering reporting and disclosures relating to the Institute's ESG performance.

EXPANDING OUR PRESENCE REGIONALLY AND GLOBALLY

Apart from spearheading initiatives aimed at elevating the profession within Singapore, ISCA also punches above its weight when it comes to leading the greater industry beyond geographical boundaries. It is a member of several prominent international accounting organisations and groups, such as the International Federation of Accountants, Chartered Accountants Worldwide, and ASEAN Federation of Accountants (AFA), all of which endeavour to promote and influence the direction of the accountancy profession. Mr Kon was also invited to the United Nations Conference on Trade and Development, where he addressed the delegates at the International Standards of Accounting and Reporting meeting in November last year.

"Regionally, ISCA has further consolidated its position as a leading accountancy body in ASEAN. The Institute has held capability-building programmes for finance officials from countries such as Laos, Vietnam, Myanmar and Cambodia, helping these countries to build their capabilities in finance and accounting. As a founding member of AFA, we actively contribute towards AFA's mission to develop and promote the growth of the accountancy profession in ASEAN. I am honoured to have represented ISCA to serve as President of AFA from 2018 to 2019," shares Mr Kon. "Then in 2020, just

BIG MOVES FOR SMALL PRACTICES

Beyond the full suite of support created during the pandemic, ISCA also helps to drive the quality, digitalisation and growth of SMPs. This is guided by the ISCA Quality Assurance Framework built on the four pillars of Quality Assurance, Digital Capability, Knowledge Circle and Opportunities Creation. "We provide regularly updated guidance materials for SMPs, such as the *ISCA Audit Manual for Standalone Entities*, *ISCA Audit Manual for Group Entities* and *ISCA's Illustrative Financial Statements*. In 2021, ISCA expanded its database of On-the-Job Training (OJT) Blueprints, developed to help SMPs with their inhouse training," details Mr Kon. In addition to a suite of CPD courses curated specially for SMPs, customised technical training sessions and materials tailored to the needs of different firms were developed, alongside a quality management toolkit to help firms implement new quality management standards.

A virtual SMP centre provides digital advisory support, organises "tech talks" to introduce tech tools to SMPs and conducts Robotic Process Automation workshops to support firms in automating their processes. ISCA also works closely with government agencies to help SMPs defray costs when adopting new digital solutions. "Last year, we held our first virtual ASEAN Tech Fair where the SMPs benefitted through being introduced to new digital offerings, including accounting and auditing tools," he shares. "We also have regular dialogues between us and SMPs, among SMPs, and between SMPs and regulators, such as the 2021 virtual ACRA-ISCA Dialogue Session."

ISCA actively creates opportunities for SMPs to grow their businesses, such as by expanding into overseas markets or through new service offerings. The Institute has organised multiple overseas mission trips for practitioners from Singapore to network with SMPs in other countries, including China, Australia, the United Kingdom and Myanmar. Even with the onset of travel restrictions, ISCA continued work in this area through a virtual "business mission trip" to meet with the Vietnam Association of Certified Public Accountants in 2021. "We really do a lot for our SMPs," stresses Mr Kon.

"Youths want to be mentored, challenged, involved, appreciated, empowered, valued... The profession as a whole – and employers who are serious about attracting new talent – has to offer these intangibles to the youth, so that they can see the value of being an accountant."

before the circuit breaker, the Jeju Group was launched, comprising the Japanese Institute of Certified Public Accountants, Korean Institute of Certified Public Accountants, and us. It aims to foster a stronger accountancy profession in the Asia Pacific," he informs. "Businesses today are conducted on a regional if not global basis, and we rely on our overseas counterparts to be our eyes and ears on the ground. Given this close relationship between different regions, it is beneficial to all if we lift one another up. This is why ISCA has deepened our engagement with international partners and the global accountancy community over the years."

CONTRIBUTING TO THE COMMUNITY

"I have always held the view that the overarching principle of a public accountant is to serve the public interest – that is why we do what we do," says Mr Kon. "Yet, in the past, the term 'public interest' was not in our constitution. They are just two small words, but when put together, they become a big responsibility. If I can take any credit for anything, it is in steering ISCA to take on that responsibility."

Apart from elevating the profession to better perform its public duty, ISCA also rallies the profession to give back to the community. Through its charity arm, ISCA Cares, nearly $650,000 have been awarded to more than 230 accountancy students from financially-disadvantaged backgrounds, enabling them to earn qualifications that provide them opportunities to better their circumstances. "We are grateful to have accounting firms which make generous contributions to ISCA Cares every year. Our members also volunteer as mentors to the ISCA Cares beneficiaries," shares Mr Kon. "We are currently exploring the role of ISCA Cares in looking after members who have fallen into severe hardship; this is something for my successor to look into."

ISCA has also partnered with various government agencies and industry bodies to provide avenues for our members to contribute as skilled volunteers. In 2019, ISCA signed a Memorandum of Understanding (MOU) with the Institution of Engineers, Singapore-Incubator and Accelerator (IES-INCA), paving the way for experienced ISCA members to mentor IES-INCA incubatees on financial, accounting and business matters on a pro bono basis. More recently, in May 2021, ISCA signed an MOU with Ministry of Culture, Community and Youth's SG Cares Office to grow skills-based volunteerism in the accountancy profession. "Through the SG Cares Office and SG Cares Volunteer Centres, ISCA will deploy skills-based volunteers from our membership base to benefit non-profit organisations in Singapore," shares Mr Kon. Also in 2021, ISCA and the Family Justice Courts collaborated to identify and form a Panel of Financial Experts comprising six ISCA members, including Mr Kon, who will provide pro bono services in matrimonial disputes.

THE YOUTH MUST BE SERVED

The work of a president is not confined to thinking about the here and now but also preparing the organisation for the future, and the continuity of ISCA lies in a constant influx of new blood. Just as the organisation works to meet the needs of its current members, it also makes the effort to serve the needs of young accountants and prospective members. This comes with a keen understanding of how the profession has changed. "When I joined the profession in 1987, there were about 10 accounting standards with 250 pages of principles-based guidance. Today, at my last count, there are 41 standards. But with a core guidance and including appendices, they number more than 3,000 pages," Mr Kon shares. "In terms of compliance and standards, the requirements of the profession have increased more than 10-fold, just based simply on the number of pages to go through." He also notes that the profession is much more tightly regulated today. "When I entered the profession, it was self-regulated; today, it is regulated by the government. In the past, you could laugh about it if you made a mistake; that's certainly not the case today!" The advancement of data processing technology has also changed the way things are done, allowing auditors and accountants to provide higher value-added services and advice.

These all come together to create an expectation of greater professionalism from young accountants. Naturally, with the greater output required of them, accountancy professionals also seek more out of their career. "Apart from meaning and purpose, young accountants probably also want diversity. They don't want to be doing the same things year in and year out," observes Mr Kon. "The accounting profession does offer that. With training in accountancy, you can be a risk manager, valuer, tax advisor, forensic professional, sustainability reporting expert, and CEO."

In 2019, ISCA introduced the ISCA Student Membership Programme, allowing university students to join ISCA as Youth Associates. Through this programme, ISCA gives Youth Associates an understanding of professional life by connecting students with ISCA members from diverse backgrounds and various industries, such as through talks and sharing sessions. "This is so that they can fully appreciate the diverse roles and opportunities that an accountancy background can offer them, and the benefits of being associated with a national accountancy body," explains Mr Kon.

"Youths want to be mentored, challenged, involved, appreciated, empowered, valued. But at the end of the day, we need to give greater visibility to what lies at the heart of the profession. The profession as a whole – and employers who are serious about attracting new talent – has to offer these intangibles to the youth, so that they can see the value of being an accountant."

To youths, Mr Kon shares this personal advice, "Stand out, stand up and be leaders in your own right, whatever you may be doing." Among the many attributes good leaders should have, Mr Kon highlights three that he firmly believes in. Be humble, for leaders are there to serve and one can only serve with a humble attitude. Keep learning, for goal posts are always shifting and one needs to keep adapting and be open-minded. Finally, listen more than you speak. "If you do that, you will probably be well placed for life. These three qualities have been tried and tested over time, and they are enduring. Whatever we face in the future – be it war or disease X – they will put you in good stead come what may." ISCA

BY FANN KOR

UPDATES FROM THE CEO

Developing Trusted Accountancy Professionals For A Sustainable Economy

2022 MARKS A KEY MILESTONE FOR ME AS I ASSUMED THE HELM OF ISCA AS CHIEF EXECUTIVE OFFICER WITH EFFECT FROM JANUARY 1. While this appointment has come during unprecedented times, I believe that within every challenge lies undiscovered opportunities. I am incredibly excited to have the honor to grow with the Institute as we forge new paths and navigate our way into the future, and serve our members by helping them to achieve their professional aspirations.

HARD TRUTHS FOR THE ACCOUNTANCY SECTOR

As a tiny red dot, Singapore relies heavily on the supply of foreign talent to augment its domestic workforce. This situation has been exacerbated during the pandemic with the initial closure of Singapore's borders to curb the spread of COVID-19, followed by the return of foreign professionals to their home countries and, subsequently, with the tightening of work pass requirements for foreign professionals. As a result, accounting entities across the board are experiencing severe manpower shortages which threaten their ability to recover quickly even as the economy recovers.

In addition, the accountancy profession is also slowly losing its appeal among students as it increasingly gets crowded out by new disciplines and more interesting courses of study offered by the universities. In fact, local accountancy faculties have reported smaller cohorts in their annual student enrolments in recent years.[1] Therefore, it is important for the profession to speak up and debunk the following:

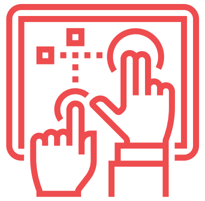
- There is a misperception that accountants are bean counters and will increasingly be replaced, given the advancements in artificial intelligence, machine learning and automation. This is not true. In fact, the adoption of technologies has been

[1] Ministry of Education Singapore. (2021). *Education Statistics Digest*. https://www.moe.gov.sg/-/media/files/about-us/education-statistics-digest-2021.ashx?la=en&hash=9E7EFD9B8088817C207F8AE797037AAA2A49F167

ISCA has developed a holistic sustainability strategy based on three pillars – capability building, corporate citizenship and collaboration with like-minded organisations. This in turn guides the Institute's sustainability policy ...

PHOTO GETTY IMAGES

We will need the support of all members to help change mindsets ... I encourage all fellow CAs to help spread good words, profile the positive side of our profession and inspire more students to get on the accountancy path.



beneficial in automating most of the mundane and repetitive tasks. This has enhanced the productivity of Chartered Accountants (CAs) and enabled them to focus on value-added work. As such, instead of replacing CAs, automation has instead empowered their work, where technology is leveraged to harness insights and drive business strategy.

- There is also much confusion between being an "Accountant" and a "Chartered Accountant"; and that an accountancy profession is associated with long working hours coupled with low salaries, which deter students from choosing accountancy as a profession and course of study. Again, these are misconceptions as an accountant is a job role, whereas CA is a professional qualification that is highly valued by employers, and which has enabled many of our members to have vast and successful career pathways, such as being an auditor, financial forensic professional, business/data analyst, sustainability officer, Chief Transformation Officer, Chief Financial Officer and even an entrepreneur or Chief Executive Officer.

These misperceptions, if not addressed in a timely manner, may worsen the manpower crunch in the accounting sector and adversely affect the development of the profession in the long run. Bearing that in mind, we should not forget that the pandemic also taught us the importance of building local capability and ensuring a well-balanced supply of local accountancy talent. That is why ISCA is looking ahead and taking active steps to ensure a healthy talent pipeline for the accountancy profession by working closely with the Singapore Accountancy Commission to raise awareness and correct misperceptions of the profession. At the same time, ISCA will continue to identify high-growth areas and develop new initiatives to support members' professional aspirations and wellbeing.

Given the challenges that we currently face, ISCA has identified several focus areas. Let me share the top three priorities in this first instalment of Updates From The CEO.

ISCA Young Professionals Advisory Committee (YPAC) member Terence Cheng, together with the ISCA Marketing team, delivering a career talk at Zhenghua Secondary School on March 9

ISCA kickstarted the ISCA Young Accountants Mentorship Programme with an introductory session involving mentors and mentees

ISCA'S TOP THREE PRIORITIES

1) Building a steady pipeline of accountancy talent

ISCA is actively reaching out to secondary schools, junior colleges and polytechnics to create greater awareness of the diverse pathways that are available to accounting professionals and to promote accountancy as a discipline of choice. At the same time, ISCA is looking to engage employers at a greater level to encourage aspiring CAs to take up the Singapore CA Qualification for their career growth.

To raise awareness of ISCA and the value of being a CA among aspiring accountants, we kickstarted the ISCA Young Accountants Mentorship Programme in January. It pairs graduating and fresh accounting graduates (mentees) with young working professionals (mentors) possessing at least five years of work experience. The mentors will provide guidance on work-related opportunities and challenges, and inspire mentees to explore the many exciting career pathways in accountancy.

We will need the support of all members to help change mindsets and keep the accountancy profession attractive to aspiring CAs. Therefore, I encourage all fellow CAs to help spread good words, profile the positive side of our profession and inspire more students to get on the accountancy path.

PHOTO GETTY IMAGES

2) Championing sustainability within the profession

The Institute is always on the lookout for new high-growth areas to ensure that our members remain relevant and are well-equipped to leverage and venture into these emerging areas. Sustainability is one such area and has become a focal point for businesses, communities, and governments around the world. Being stewards of capital and corporate reporting, the accountancy profession is in an influential position to help businesses infuse a sustainability culture and accelerate business practices in sustainability, from planning and strategy to improving processes and measuring performance. As such, we want to support our members and the profession in driving the sustainability agenda in their organisations.

To walk the talk and lead by example, ISCA has developed a holistic sustainability strategy based on three pillars – capability building, corporate citizenship, and collaboration with like-minded organisations. This in turn guides the Institute's sustainability policy in which ISCA is committed to:

- Integrating the environmental, social and governance (ESG) factors into our strategy and operations;
- Driving sustainability within the accountancy community by raising awareness, advocating sustainability reporting in businesses, building capabilities in accountants to drive sustainable practices within their organisations, and
- Collaborating with like-minded organisations to achieve mutual sustainability goals.

Leading from the top, as the head of the organisation, I am personally driving sustainability practices within ISCA. A sustainability taskforce with team members from different departments has been formed to develop and implement ESG initiatives and deliver reporting and disclosures relating to the Institute's ESG performance.

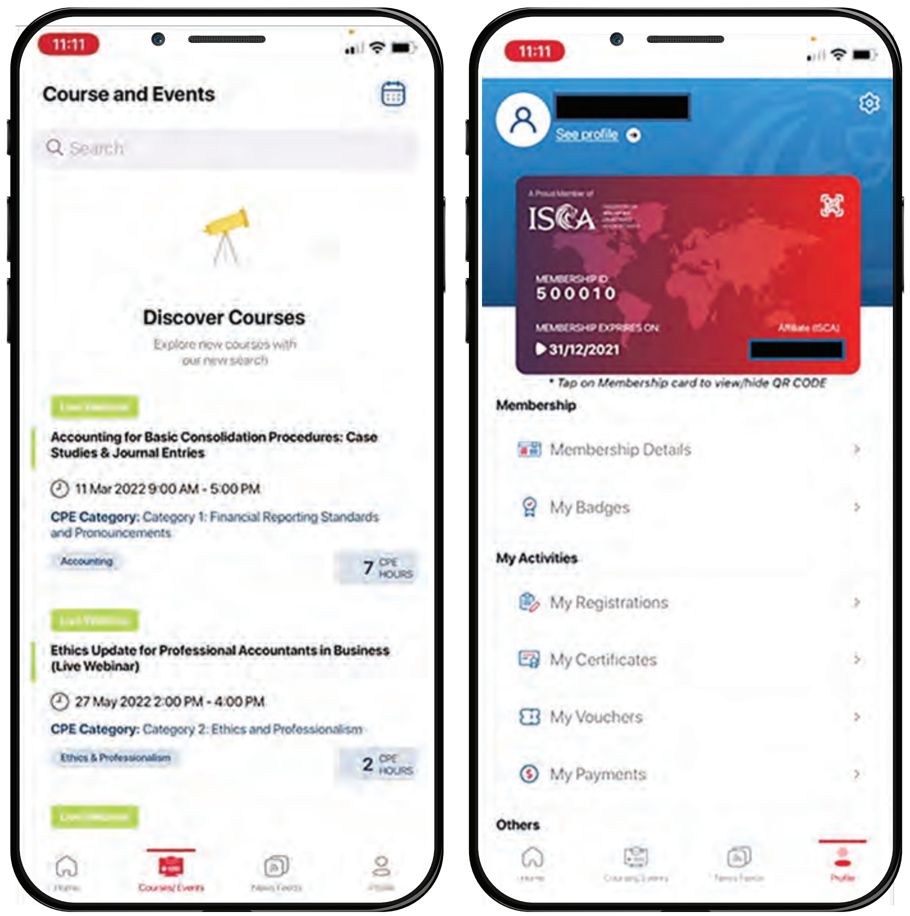
I encourage our members to play an active role in driving the sustainability agenda in your organisation. As CAs, with our breadth of skills, commitment to ethics and global expertise, we can make a difference in creating a sustainable future.

We have developed new online platforms to enhance member engagement and deliver value-added service offerings.

3) Driving member centricity

As a professional body, we exist because of our members, and there is no doubt that driving member centricity is one of our top three priorities. In particular, member centricity helps the Institute to focus on initiatives that support members to achieve their professional aspirations in a digital economy. In this respect, we have developed new online platforms to enhance member engagement and deliver value-added service offerings. I am pleased to share some of them here.

- *ISCA mobile app*
  We understand that our members are constantly facing an overload of information. As a result, it has been challenging to update them on the latest developments in the profession and also ISCA's offerings. At the same time, busy professionals like CAs are also increasingly demanding that information be presented in bite-sized formats and made available on the go. This is why ISCA has decided to develop its own mobile app to serve as a one-stop centre for all our members' needs including course registrations, updating of a member's profile, tracking of individual Continuing Professional Development (CPD) activities, and access to the ***IS Chartered Accountant Journal*** and ISCA technical library, to name a few. Members can look forward to the official release of the mobile app via App Store (for iOS) and Google Play Store (for Android) in the second half of 2022.
- *Targeted electronic direct mails (eDMs)*
  To cater to the specific needs of our different member segments, ISCA will adopt a differentiated approach in delivering targeted content via eDMs. With this, each member segment, namely, practitioners, finance professionals, young members, and student members, can look forward to receiving a customised eDM featuring accountancy and business highlights, career support initiatives, CPD courses, events, membership privileges, newsfeeds, professional qualifications, technical highlights and other relevant resources starting from the second quarter of 2022.
- *Member support via WhatsApp*
  To provide greater convenience and better support for our members in their professional development, ISCA will be launching its WhatsApp support channel by the third quarter of 2022. Our members will be able to reach out to ISCA directly via WhatsApp for timely support to resolve any technical challenges they may face while attending virtual webinar sessions.



A sneak peek at ISCA's mobile app, which will be launched in the second half of 2022

A BIG THANK YOU TO OUTGOING ISCA PRESIDENT KON YIN TONG

Yin Tong will be stepping down from his role as ISCA President on April 23 after the ISCA Annual General Meeting, after two terms of service to the Institute from 2018 to 2022. Under his leadership, the Institute was able to navigate choppy waves and vigorous undercurrents to roll out meaningful initiatives and assistance packages to support members in their professional journeys despite the pandemic. Yin Tong was also instrumental in leading ISCA's transformation into a globally recognised professional accountancy body. Notably, he stepped up efforts to co-develop the capacity and capabilities of the accountancy profession in ASEAN during his tenure as President of ASEAN Federation of Accountants (AFA) from 2018 to 2019.

On a more personal note, I thank Yin Tong for being ever so willing to share his thoughts on leadership with the ISCA team. Indeed, he is an effective leader. Besides constantly encouraging us to be bold and try new ways of doing things, he is always objective and never fails to provide us with good advice. He will ensure that he makes time for ISCA despite his busy schedule and work commitments. As a leader, he listens more than he speaks – giving full attention when approached with inputs or feedback, or when we needed a sounding board. He has a unique way of finding the right balance of inspiring us with his words and ears. On behalf of the ISCA team, I would like to express our appreciation to Yin Tong for all that he has done for ISCA over the past four years.

A ISCA President Kon Yin Tong (centre) chairing his last session as AFA President at the 129th AFA Council Meeting in November 2019

- *Telegram for practitioners*
  In addition to the Telegram channel for Youth Associates (launched in December 2021), ISCA has set up another dedicated channel for practitioners, where they can get first-hand news ranging from business support to professional development and technical resources. Practitioners can follow the ISCA Practitioners' Connect channel on Telegram now by scanning the QR code below:

@ISCAPC

- *Improving mental health*
  To raise awareness of the importance of mental health, the Institute has also been sharing tips and resources on the topic via our social media channels since February. Topics include work-life balance, good sleeping habits and the impact of technology on mental health. Do follow us on our LinkedIn (https://sg.linkedin.com/company/institute-of-singapore-chartered-accountants-isca-) and Facebook (https://www.facebook.com/ISCA.Official/) pages as we share more throughout the rest of 2022.

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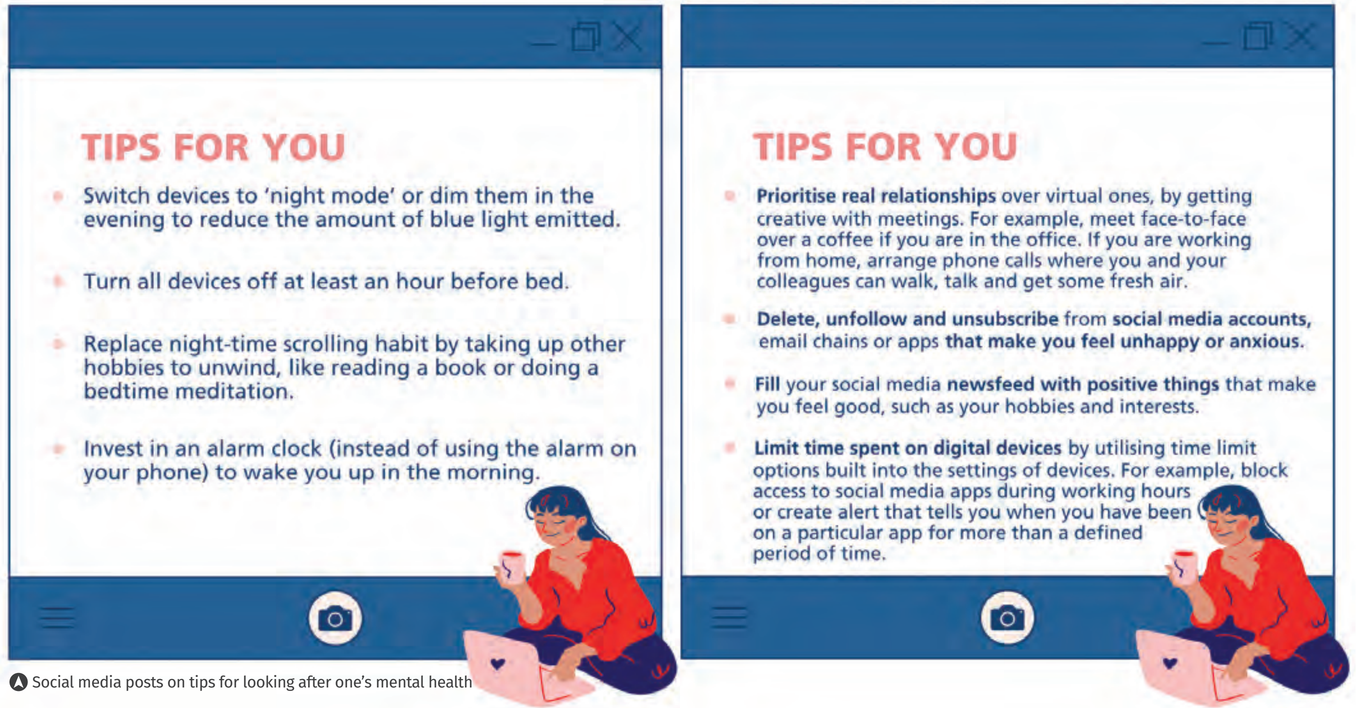

A Social media posts on tips for looking after one's mental health

- *ISCA Support Fund (extended)*
  First launched in 2021 as part of ISCA's efforts to support members who were experiencing financial difficulties during the pandemic, the ISCA Support Fund is now extended to 31 December 2022. Members who are unemployed can apply for waivers of their membership fees and/or CPD course fees as they acquire new skills to enhance employability. Since the launch of the Support Fund, over 500 members have received funding support through membership fee waivers and complimentary CPD training courses. It has also helped close to 140 SMPs, enabling them to tap into new opportunities and build digital capabilities.

- *New learning management platform*
  As part of our digital transformation journey, ISCA e-learning will be digitally transformed into an online learning hub to provide a better learning experience for our members. The mobile-friendly virtual platform will allow members to learn anytime and anywhere, and is equipped with new features that enable collaborative learning experiences and enhanced interactions among course members. Therefore, do keep a look out for this as we add more curated content on the platform throughout the year.

As part of our digital transformation journey, ISCA e-learning will be digitally transformed into an online learning hub to provide a better learning experience for our members.

CONCLUSION

I believe in having ongoing communications with our members as this will enable us to stay in tune with members' needs, thereby providing us with feedback to enhance our initiatives and create greater membership value for you. Therefore, I will be providing more of such updates on ISCA's latest developments on a quarterly basis. For the next quarter, I will be sharing about how ISCA is revamping our CPD model to provide good quality and effective learning content that is catered to the new and evolving learning needs of members. Do stay tuned. ISCA

Fann Kor, CA(Singapore), is Chief Executive Officer, ISCA.


BY KEVIN OW YONG AND YEAP LAY HUAY

DON'S COLUMN

ACCOUNTING EDUCATION FOR SUSTAINABILITY

Going Beyond Domain Knowledge

DUE TO CLIMATE CHANGE, SUSTAINABILITY HAS BECOME A VERY IMPORTANT GLOBAL ISSUE. In November 2021, nearly 200 countries came together to agree on several measures to counter climate change. Specifically, several key points were agreed upon during the UN Climate Change Conference (COP 26).[1] Some of the key agreements include limiting the increase in the global average temperature to 1.5°C, accelerating action to reduce carbon dioxide emissions, mandating a provision for countries to phase down coal power and phase out "inefficient" fossil fuel subsidies, and committing to fully deliver on the US$100-billion goal a year for developed countries to developing countries. This consensus was not easily achieved. Rather, it was the result of almost two years of constant engagements and several weeks of intense negotiations.

While COP 26 took a major step forward in uniting the world on a more sustainable pathway, its success depends significantly on whether these agreements are able to translate into actual change. In a connected world, businesses and organisations form an integral part of the world economy. Traditionally, the financial profitability of a business is a key concern for the board of directors and senior management. With changing expectations of various stakeholders and the public that necessitate a company to make a positive contribution to society by embarking on corporate social responsibility initiatives, measuring financial performance alone is no longer sufficient. When an organisation takes the broader view that it is part of a larger interdependent system, it leads to a more resilient business model that can create and sustain value in the long run.

Historically, accountants perform a traditional function by providing a stewardship role of an organisation's assets and taking responsibility for sound financial management and reporting. Their professionalism and numerical skills enable accounting professionals to exercise stewardship of a broader range of assets upon which an organisation depends. In addition, accountants, in their capacity as business partners and advisors, can help to steer management's strategic and operational decision making. Hence, it has been widely accepted that accountants can play a crucial role in helping organisations achieve sustainability goals.

When an organisation takes the broader view that it is part of a larger interdependent system, it leads to a more resilient business model that can create and sustain value in the long run.

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The evolving role of accountants into non-financial reporting areas may not be as difficult as it seems. As part of the financial reporting process, accountants assimilate, develop and execute various financial reporting processes to extract and interpret data. Accountants can also design effective internal control systems that are necessary to prepare or assure the quality of an organisation's information. For example, a key role of accountants is to measure and report information that are relevant, transparent, and meaningful to users. These same skills and competencies that they exercise as professional accountants in business (or as auditors) can likewise be used to deliver assured sustainability reporting that best serves the public interest.

As illustrated in the IFAC article on how accountants can contribute to the global economy, the author cited several examples of an accountant moving into a new industry, evaluating a new organisation as part of a merger or acquisition, and assessing a new investment to demonstrate the constant need to acquire new knowledge.[2] Delivering sustainability reporting works in a similar fashion. This, however, does not mean that accountants do not face challenges in sustainability reporting.

For example, sustainability reporting requires accountants to understand, account and measure social and environmental values (such

[1] The COP summit took place from 31 October to 12 November 2021 in Glasgow, Scotland, United Kingdom.

[2] Partridge, H. (2021). Doing different things: approaching sustainability with confidence, and your existing skillset. https://www.ifac.org/knowledge-gateway/contributing-global-economy/discussion/doing-different-things-approaching-sustainability-confidence-and-your-existing-skillset

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There is a need to educate students with strong core competencies in accounting as well as the ability to critically analyse the role of accounting-related ideas, tools, and information in the bigger picture of the ecosystem we live in and its sustainable development.

as carbon emissions, workforce diversity) which are relatively new concepts and not found in the existing financial reporting framework. Additionally, the international standards on sustainability reporting still require further refinement. Some of the more common frameworks include the Global Reporting Initiative (GRI) standards, triple bottom line reporting[3] and integrated reporting initiative[4]. On 3 November 2021, the IFRS Foundation formed the International Sustainability Standards Board (ISSB) during the COP 26 summit, with the intention to deliver globally consistent sustainability reporting standards to meet investors' information needs.

A recent study by Ernst & Young (EY) highlights that climate change and digitalisation are fast reshaping the accounting profession. Some of the new emerging job roles include accountants being trained as environment, social and governance (ESG) specialists.[5] With an increasing focus on sustainability, organisations are placing more emphasis on non-financial reporting to determine their true corporate value (for example, the impact of carbon tax). The ESG specialist is responsible for implementing and reviewing the organisation's ESG philosophy and policies. That person is required to develop and evaluate ESG reporting and risk management structure based on benchmarks against industry peers and best practices. Some technical skills identified to fulfil this role include having a sound understanding of various audit and internal controls, business acumen and knowledge, financial analysis, and risk management. Furthermore, the critical core skills required include communication, collaboration, problem solving, and transdisciplinary thinking.

How can accountancy programmes among the various autonomous universities and other institutes of higher learning in Singapore better prepare the graduates to meet the new demands? The idea of sustainability permeates all areas of an organisation (for example, operations, products and services offered to customers, investments, finance, corporate reporting and disclosures, and assurance). Instead of building a standalone module that covers the topic of sustainability, it may be more effective to integrate the study of sustainability into the entire programme curriculum. Given the complex nature of sustainability, the learning approach needs to be integrated and interdisciplinary in nature. Such an approach helps to build a more comprehensive understanding of sustainability, educate the students in a wider sense, and develop their ethics regarding sustainability issues.

There is a need to educate students with strong core competencies in accounting as well as the ability to critically analyse the role of accounting-related ideas, tools, and information in the bigger picture of the ecosystem we live in and its sustainable development. Using a multidisciplinary approach can help them to "look at big issues". To foster critical analysis, collaborative skills and problem solving, students can collaborate in multidisciplinary settings (for example, working on community projects and collaborating with students from non-accountancy programmes).

Other than *what* is taught and how it is taught, it is also important to consider *how* students are being assessed on their understanding of sustainability. Authentic assessment measures how well students apply their knowledge and skills to complete a task that mimics real-life environment. By using real-life cases, role-playing scenarios or simulations using industry's problem statements, students can integrate theory into practice. This methodology also allows them to develop critical soft skills such as adaptability, communication, teamwork, and problem-solving techniques, and cultivate a positive attitude.

Most importantly, incorporating sustainability into the curriculum can transform students' mindsets to that of embracing the world and community, and create the awareness of their interconnectedness as global citizens. Global citizenship does not mean an individual denouncing his or her nationality or other identities; instead, as shared by humanist educator Dr Daisaku Ikeda, "a global citizen is one who possesses the wisdom to perceive the interconnectedness of all life and living, the courage not to fear or deny difference; but to respect and understand people of different cultures and grow from encounters with them, and the compassion to maintain an imaginative empathy that reaches beyond one's immediate surroundings and extends to those suffering in distant places" .

In this era of rapid changes, tertiary education is certainly not the end but only the beginning of one's learning journey. With the knowledge and competencies gained, the graduates need to play a proactive role in pursuing continuous professional development. This is especially so for sustainability reporting, which is fast evolving due to the pressing challenges that demand global attention, innovative and collaborative solutions, and emerging sustainability reporting mandates. Accountants need to embrace a growth mindset to remain relevant, resilient, and agile to meet these challenges during this crucial period. ISCA

[3] The triple bottom line is a business concept that posits firms should commit to measuring their social and environmental impact – in addition to their financial performance – rather than solely focusing on generating profit, or the standard "bottom line." It can be broken down into three Ps, namely, profit, people, and planet.

[4] The <IR> Framework and Integrated Thinking Principles are maintained under the auspices of the Value Reporting Foundation, a global nonprofit organisation that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value – how it is created, preserved, or eroded. More details can be found on their website (https://www.integratedreporting.org).

[5] EY, SAC, WSG & SSG. (2021). Manpower study of Singapore-based accounting practices: Evolving jobs and skills in the accounting practices sector. https://www.wsg.gov.sg/content/for-employer/jobs-transformation-maps/jtm-report-for-accounting-practices_final_vf_4-jan-2022.pdf

[6] Botes, V., Low, M. & Chapman, J. (2014). Is accounting education sufficiently sustainable? *Sustainability Accounting, Management and Policy Journal*, 5(1), 95-124. https://doi.org/10.1108/SAMPJ-11-2012-0041

[7] Ikeda, D. (1996). Thoughts on education for global citizenship. https://www.daisakuikeda.org/sub/resources/works/lect/lect-08.html

Kevin Ow Yong is Associate Professor, Singapore Institute of Technology (SIT), and Yeap Lay Huay is Senior Lecturer, SIT. The opinions expressed in this article are those of the writers. They do not purport to reflect the opinions or views of SIT.

BY SIMON POH

DIFFERENT GST RATES FOR LUXURY AND ESSENTIAL GOODS?

Finding An Equitable GST System

WITH A GOODS AND SERVICES TAX (GST) HIKE ANNOUNCED AMID CONCERNS ABOUT THE COST OF LIVING, this article discusses whether differentiating essential items and discretionary spending will lessen the impact on Singaporeans.

The planned GST hike was a hotly discussed topic during this year's Committee of Supply debates in Parliamentary sessions. Come 1 January 2023, Singaporeans will have to first cope with a one-percentage point hike in GST to 8%, before the next one-percentage point hike to 9% takes effect. The GST was last increased 15 years ago in July 2007.

The GST hike comes at a time of concern about rising costs of living, amid financial woes from the pandemic and Singapore's headline inflation for December 2021 hitting a near-nine-year high.

Since the less well-off pay more GST as a percentage of their income than high-earners, perhaps the bigger question around this hike is this: Can we make GST less regressive? More specifically, some people are asking if having different GST rates for essential and non-essential goods can help lessen the impact of the hike on Singaporeans.

MAKE GST LESS REGRESSIVE BY DIFFERENTIATING ESSENTIAL GOODS?

The reasoning goes that everyone must buy "must-have" items which should be kept affordable, while the higher-income have room for discretionary spending on "good-to-haves" that could be taxed more.

Some countries, in fact, treat certain basic necessities as exempt supplies, including Asian countries such as India, Indonesia and South Korea, or subject them to a reduced GST rate compared to the standard rate. Foodstuffs, for example, are taxed at 5.5% instead of 20% in France, or zero-rated instead of 10% in Australia.

Like Singapore, New Zealand charges a broad-based 15% GST, and basic necessities are treated as taxable standard-rated supplies.

In Singapore, the government has long resisted this move to treat basic necessities as exempt supplies since GST was first implemented in 1994. It opted instead for a broad-based system with very few exemptions that do not include food or healthcare.

The government's rationale is that exempting basic necessities from GST will help everyone but end up benefitting the wealthy more as they spend more.

Instead, it considers it a fairer approach to target assistance for lower- and middle-income households through measures like GST vouchers and absorbing GST for healthcare services consumed by subsidised patients. A S$6-billion Assurance Package was also announced to offset the upcoming hike for five to 10 years.

It is unclear how much a zero or reduced GST rate might affect tax revenue and hinder the government's ability to finance targeted assistance schemes or to fund the increased public spending that motivated the hike in the first place. A shortfall might mean the GST rate could be raised again in future or offsets that can be channelled to help the less well-off could be lower.

Counter-intuitive as it may seem, a lower tax rate for certain goods and services may backfire in its goal of helping lower-income households.

Can we make GST less regressive? More specifically, some people are asking if having different GST rates for essential and non-essential goods can help lessen the impact of the hike on Singaporeans.

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TRICKY CONSENSUS ON BASIC NECESSITIES

But given that GST accounts for only slightly more than one-fifth of tax revenue on average, perhaps a stronger drawback of a multi-rate GST system is just how tricky and potentially costly implementation might be.

What qualifies as basic necessities to warrant lower GST rates?

In the United Kingdom, foodstuffs are generally exempt from value-added tax (VAT) but a government webpage details the conditions to determine if an item is zero- or standard-rated. Roasted nuts are zero-rated if unshelled but draw a 20% standard rate if shelled, for example.

Some goods and services may also run up against the issue of fairness: Women in Germany used to fork out 19% tax on sanitary products, the so-called "tampon tax" that categorised them as luxury items.

The law must be clear in defining the basket of goods in each GST category. Disagreement between tax authorities and taxpayers may lead to classification issues and potential legal disputes that can only be settled in the courts.

Multiple GST rates may be confusing if certain goods and services potentially fall under different classifications. Imagine: If biscuits are charged 10% GST while chocolates are charged 20%, then what would the GST rate for a bar of KitKat be?

A single-rate system will also be simpler for both authorities to administer and businesses to comply with. Mechanisms needed for a multi-rate system also have a compliance cost that may end up being passed on to consumers instead. The red tape of administrative bottleneck and potential legal disputes can impede collection of the GST and consequently, hinder any economic activity.

> **... (the government) considers it a fairer approach to target assistance for lower- and middle-income households** through measures like GST vouchers and absorbing GST for healthcare services consumed by subsidised patients.

WHAT ABOUT LIFTING GST EXEMPTION ON GOOD CLASS BUNGALOWS?

That said, a multi-rate structure is not the only way GST could be tweaked to be less regressive.

Currently, all residential properties, regardless of value and the number purchased, are regarded as exempt supplies and are not subject to GST, unlike commercial and industrial properties.

A way to increase GST revenue is for the government to consider applying special GST rules within the class of residential properties – as a start, to no longer exempt Good Class Bungalows (GCB).

Such large, landed properties in prime districts are considered a rare asset and would only be affordable to the ultra-rich, say, with a S$20-million threshold based on the open market value at the time of purchase. It will not squeeze the lower- and middle-income.

Specific application of GST on such properties would thus be in the same spirit as differentiating essential from luxury goods, compared to property taxes or Buyer's Stamp Duty that have been revised in the recent past and for which there might be less appetite to revise so soon again.

Given the necessity of the GST increase to shore up Singapore's revenues, such bold moves might be simpler and more helpful than a complicated multi-rate GST system. ISCA

Simon Poh is Associate Professor (Practice), Department of Accounting, NUS Business School, National University of Singapore.
An edited version of this article was first published in *Channel NewsAsia* online on 17 February 2022. Reproduced with permission.

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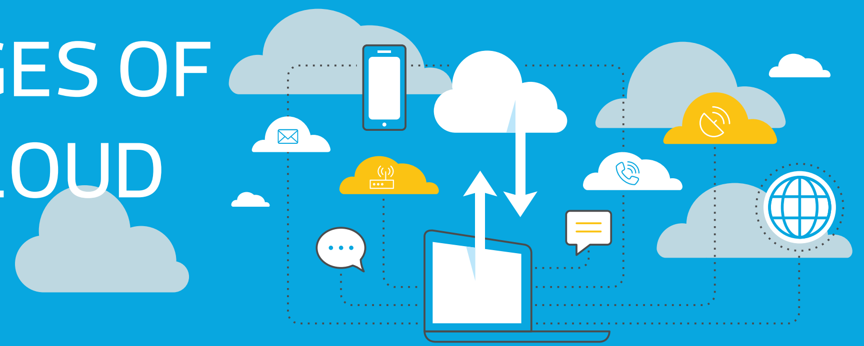

BY RON SOONIEUS, LOUIS BESLAND AND ALICE BREEDEN

LEADING CLIMATE STRATEGY FROM THE BOARD

Recommended Practices To Accelerate Progress

WITH THE GLASGOW CLIMATE PACT, nearly 200 countries agreed to strengthen their targets for cutting greenhouse gas emissions. As a result, companies around the world must act – and their boards must show leadership. How have directors coped with climate change to date? How is the issue already integrated into corporate governance and management processes? And what practical steps can boards take to make real progress on addressing climate change?

These were the questions that INSEAD and Heidrick & Struggles set out to answer through a recent global survey of 300 board directors. We focused specifically on climate change, rather than the broader sustainability or ESG angle. Our rationale was not only that climate change would be top of mind in the run-up to the 2021 United Nations Climate Change Conference (COP 26) but that the more specific the findings, the more practical the advice we could offer boards.

Our results revealed one stark fact: With respect to climate change, there is a vast gulf between what many directors say and what they *do*. Nevertheless, we also found reasons to be optimistic, concerned and alarmed.

REASONS FOR OPTIMISM: CLIMATE CHANGE IS MOVING UP THE AGENDA

In 2021, climate change was a fixture on most board agendas. Some 75% of our respondents believe the issue is "very" or "entirely" important to the strategic success of their companies. Furthermore, 63% report that their board has a clear understanding of the risks and opportunities that climate change presents to the business. In addition, 60% claim that they and their fellow directors are "very" or "entirely" aligned on the importance of the issue and what to do about it.

Practical implications

The implications of these findings are simple. The three quarters of directors who grasp the strategic importance of climate change should continue to devote time to the issue and ensure that their executive teams do the same.

For the remaining quarter of boards, it is time to take action. New regulation is coming, corporate governance codes are changing and activist investors are reshuffling boards. Acting on climate change is becoming part of companies' licence to operate.

However, since 72% of directors are "very confident that their company will meet its climate change goals", we find *ourselves* becoming sceptical. Are these goals ambitious enough? Is this confidence misplaced? Our doubts are heightened in light of further findings from our survey.

REASONS FOR CONCERN: A LACK OF TARGETS AND INADEQUATE REPORTING

The first and most obvious goal is to reduce carbon emissions. Yet, 43% of our respondents' companies are not yet working to meet such targets (although some are in the process of setting them).

Of course, this is not entirely boards' fault. Our survey found that only 50% of directors are satisfied with current reporting to the board on climate change.

Practical implications

Boards need to insist that executives set ambitious and realistic decarbonisation targets, while ensuring a balance with overall business goals.

Boards should also insist on better reporting. Alongside updates on overall decarbonisation performance and the impact of climate change on the entire portfolio, directors should demand some specifics. What are the likely effects of climate change on a given product or facility? What is the risk of that facility becoming a worthless "carbon-stranded" asset?

In order to evaluate such reports, boards will almost certainly need to educate themselves. In fact, 85% of those surveyed say that their board needs to increase its climate knowledge. Our survey reported that 46% say that their board does not know enough about the financial implications of climate change for their business. These percentages are cause for concern in themselves, but when combined with our final set of findings, they start to ring very loud alarm bells.

Boards need to insist that executives set ambitious and realistic decarbonisation targets, while ensuring a balance with overall business goals. Boards should also insist on better reporting.


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REASONS FOR ALARM: CLIMATE EXPERTISE IS NOT SUFFICIENTLY PRIORITISED

We will simply let our findings speak for themselves:

- 69% of respondents say climate knowledge is not a formal requirement for joining, or staying on, their board;
- 65% report it is not a formal requirement when recruiting a new CEO;
- 74% say climate change is not (or is only slightly) integrated into executive performance metrics;
- 49% state climate change is not (or is only slightly) integrated into the company's investment decisions.

Practical implications

The good news is that there are many easy measures that boards can implement as we stipulate in our recommendations. However, the question remains: Why have so few acted already?

STOPPING A VICIOUS CYCLE

One uncharitable interpretation of our findings could be that boards are only paying lip service to climate change. However, it is far more likely that directors are paralysed by the complexity and scale of their climate and wider ESG responsibilities. The most compelling explanation is perhaps that boards are caught in a vicious circle: People with climate expertise typically lack board-level business experience – and vice versa.

Below, we offer some straightforward recommendations. They are not intended to apply to all companies, some of which are further along the road than others, but are all based on proven, real-life examples of practices that accelerate progress.

Include climate change in the board's competency matrix

According to our survey, almost all boards think they lack knowledge when it comes to climate change. Yet, fewer than a third specify such a requirement when recruiting new directors or evaluating existing members. So, an obvious first step is to define the skills and experience that will plug the gaps. In the end, the goal is to ensure the whole board understands what climate change is and what it means for their business.

Add more relevant voices to your boardroom

It is time to balance traditional board qualifications with new knowledge and mindsets. This will safeguard your company's ability to create value over the long term. New requirements go far beyond the traditional ones. If boards do not add ESG-savvy directors, they must find other ways to inject knowledge – from external specialists to advisory boards to crash courses at business schools. The existing directors who want to learn should be supported in their efforts.

PHOTO SHUTTERSTOCK

... 63% report that their board has a clear understanding of the risks and opportunities that climate change presents to the business.

Change the board processes and dynamics

A new responsibility of the chair is to ensure that climate change is being addressed. This leading role is theirs, as it is chairs who control agendas, manage dynamics and set the overall tone of any board. There is an imperative for chairs not only to update the agenda but also to ensure that the dynamics of the board are inclusive. Everyone's perspective should be heard, and everyone should be comfortable speaking up.

Tie your climate change strategy to a social and organisational purpose, as well as to specific operations

Organisations anchored to a meaningful purpose react faster to change. They can attract and retain committed employees and customers. They're also more effective at meeting the higher expectations society now has for corporations. Boards and executive teams that put climate change at the heart of their purpose can significantly accelerate their progress.

Integrate climate change objectives into executive compensation and search strategies, especially for the CEO

Overseeing executive performance and recruiting new CEOs are fundamental board duties. It follows that climate change should become fully integrated into these activities. Just as board members need to continuously examine their own succession plans, they must do the same for their CEOs.

Boards that take on these recommendations will give themselves, their organisations – and the world – a better chance at meeting the climate change challenge.

The full report is available at the INSEAD website (https://www.insead.edu/centres/corporate-governance/changing-the-climate-in-the-boardroom-report). ISCA

Ron Soonieus is Senior Advisor, Boston Consulting Group, Director in Residence at INSEAD and a contributor to INSEAD's impactvise Sustainability Programme for Legal Professionals. Louis Besland is Partner, Heidrick & Struggles and a member of the CEO & Board of Directors practices. Alice Breeden is Partner, Heidrick & Struggles and a member of the global leadership team.

TECHNICAL HIGHLIGHTS

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AUDITING AND ASSURANCE

ISCA Issues Updated AGS 1, *Sample Independent Auditor's Reports*

Updates to the AGS include:

1) **Appendix 4A Supplementary Reports for Banks (including Merchant Banks)**

Arising from the cancellation of notices and directives issued under the Monetary Authority of Singapore Act to merchant banks, merchant banks are now regulated under the Banking Act (as with normal banks).

The supplementary report for merchant bank (previously under Appendix 4C) has been removed and streamlined into Appendix 4A.

2) **Appendix 5A Agreed-Upon Procedures Report in connection with EDB's EDAS Schemes**

Appendix 5A has been updated to align with SSRS 4400 (Revised), *Agreed-Upon Procedures Engagements*.

Procedures in the report have been refined to use terminology that is clear and not subject to varying interpretations, in accordance with the new requirements of SSRS 4400 (Revised).

For more information, please visit https://isca.org.sg/content-item?id=ce0174fc-39a9-4d37-a811-f13b4dabedd3

New Implementation Guide Available For Quality Management For Audits Of Financial Statements

The guide from IAASB will help stakeholders understand and implement the requirements of the International Standard on Auditing (ISA) 220, *Quality Management for an Audit of Financial Statements*.

For more information, please visit https://www.iaasb.org/news-events/2022-02/new-implementation-guide-available-quality-management-audits-financial-statements

ETHICS

IESBA Staff Releases FAQs On Revised Fee-Related Provisions Of IESBA Code

This Frequently Asked Questions (FAQs) publication is designed to highlight, illustrate or explain aspects of the revised fee-related provisions in the IESBA Code, and thereby assist in their proper application.

For more information, please visit https://www.ethicsboard.org/news-events/2022-01/iesba-staff-releases-faqs-revised-fee-related-provisions-iesba-code

FINANCIAL REPORTING

ISCA Comments On IASB's ED On Subsidiaries Without Public Accountability: Disclosures

Although we appreciate IASB's efforts to develop a new IFRS Standard with reduced disclosure requirements for eligible subsidiaries without public accountability to help them save costs while maintaining the relevance and usefulness of the financial statements to users, we have received mixed views regarding the practicability of the proposed Standard.

We highlighted the following potential benefits we envisage (in addition to those set out in the ED) and concerns on the proposed Standard:

Potential benefits

- Aid parent in having better control over subsidiaries in terms of information retention and record keeping;
- Benefit subsidiaries which are not required to submit group reporting packages but are required to prepare statutory financial statements.

Concerns

- Potential low adoption rate;
- Narrow eligibility scope;
- Additional information disclosed may not be useful or relevant to users of financial statements belonging to subsidiaries that cease to be eligible at the end of the reporting period;
- Result in two different approaches to disclosures within IFRSs.

For more information, please visit https://isca.org.sg/docs/default-source/fr-eds-and-comment-letters/comment-letter-ed-subsidiaries-wo-public-accountability-(final).pdf

IASB Issues IFRS Accounting Taxonomy Update For Disclosure Of Accounting Policies And Definition Of Accounting Estimates

This Update includes changes to the IFRS Accounting Taxonomy to reflect new and updated disclosure requirements in *Disclosure of Accounting Policies* (Amendments to IAS 1 and IFRS Practice Statement 2) and *Definition of Accounting Estimates* (Amendments to IAS 8).

For more information, please visit https://www.ifrs.org/news-and-events/news/2022/02/iasb-issues-ifrs-accounting-taxonomy-update-for-disclosure-of-accounting-policies-and-definition-of-accounting-estimates/

February 2022 IASB Meeting Papers Available

For this IASB meeting held from 21 to 24 February 2022, topics discussed include Financial Instruments with Characteristics of Equity, Post-implementation Review of IFRS 10, IFRS 11 and IFRS 12, and Disclosure Initiative – Targeted Standards-level Review of Disclosures.

For more information, please visit https://www.ifrs.org/news-and-events/calendar/2022/february/international-accounting-standards-board/

February 2022 IFRIC Update Available

This Update is a summary of discussions by the IFRS Interpretations Committee (IFRIC). Topics discussed include tentative agenda decision on a request relating to Negative Low Emission Vehicle Credits (IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*) and agenda decision on TLTRO III Transactions (IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*).

For more information, please visit https://www.ifrs.org/news-and-events/updates/ific/2022/ifric-update-february-2022/

BY ANGELINA TAN

TAX AUDITS AND INVESTIGATIONS

Know What to Do When In The Spotlight

RECEIVED A QUERY LETTER FROM THE INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)? The last thing a business should do is to disregard the letter or provide a hasty reply.

"It is important that businesses examine the contents of the query letter carefully," highlighted Tham Siok Peng, Consultant, and Yang Shi Yong, Director, Drew & Napier LLC, at a webinar organised by the Singapore Chartered Tax Professionals. "The scope and type of queries, and other information such as the tax division that issued the letter, may provide an indication of whether the authorities are simply seeking clarification about the business' tax returns, or that the business is under a tax audit or investigation."

Sometimes, IRAS may also send letters requesting businesses to perform self-reviews. Where tax errors are uncovered during the self-review, businesses should voluntarily disclose these errors promptly through IRAS' voluntary disclosure programme to minimise any penalties.

Tham Siok Peng, Consultant, and Yang Shi Yong, Director, Drew & Napier LLC, shared their insights on how to navigate a tax audit or tax investigation by the Inland Revenue Authority of Singapore

HOW ARE CASES SELECTED FOR TAX AUDITS AND INVESTIGATIONS?

Cases for tax audits and investigations are picked out by IRAS through several ways. For example, they may be selected through data analytics on specific risk areas; IRAS may also pick out certain cases based on tip-offs from informants, non-replies from self-review letters, or where unsatisfactory replies were provided for prior audits.

Different industry sectors or specific areas are routinely selected by IRAS for audit. In 2021, renovation-related and funeral services were among the industries

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under IRAS' scrutiny. In relation to Goods and Services Tax (GST), the current area of focus for audit is on businesses involved in missing trader fraud arrangements.

DIFFERENCES BETWEEN TAX AUDIT AND INVESTIGATION

Tax audit

A tax audit is less serious than a tax investigation. Generally, in a tax audit, a business' tax declarations, accounts and documents are examined to determine if there are any tax errors.

The business is informed prior to an intended visit by letter, email, or a phone call from IRAS. Such visits would usually be conducted by IRAS' tax auditors who would typically provide details of the visit (such as the date and time of the visit, the documents they wish to examine, and the relevant years of assessment to be audited).

Tax investigation

Conversely, a tax investigation is more serious and detailed, with the objective of determining if there was any evasion of taxes. Often, the investigation ends up in court when sufficient evidence is obtained to prosecute the taxpayer for tax evasion.

Unlike a tax audit where prior notice is given by IRAS before visiting, IRAS' tax investigators may conduct dawn raids during a tax investigation. Such surprise visits may be carried out simultaneously, not only on the business but also its auditors, tax agents, customers and suppliers, to obtain relevant documents and records.

WHAT ARE IRAS' POWERS IN TAX INVESTIGATION?

Power to conduct raids

IRAS has the power to raid businesses, tax agents or accountants and even arrest if they are seen as being in cahoots or abetting a tax offence. To conduct a search, tax investigators need not produce a search warrant, only their authority card. During the search, tax investigators have the powers to make copies or seize any document or record, obtain passwords to phones and computers, and image computers and mobile phones.

Power to investigate tax crimes

The powers of tax investigators were enhanced in late 2018. Authorised IRAS officers now have the power of forced entry, the power to carry out body searches, and the power to arrest without warrant.

This would mean that if entry cannot be gained to a building or place for the purpose of investigating serious types of tax offences (such as tax evasion or improperly obtaining a GST refund), tax investigators can break open any door or window or use any other reasonable means. This power may also be exercised if tax investigators reasonably believe that there is, in a building or place, any item that may be relevant to the investigation or is required as evidence in proceedings and that item is likely to be destroyed or deleted.

Tax investigators, upon gaining entry into the premises, may search any person for any item which may be relevant to the investigation or required as evidence in any proceedings for the tax offence. A woman can only be searched by female investigators.

If a person is suspected to have committed a serious tax offence or attempts to obstruct or hinder the investigations, he may be arrested and be detained for up to 48 hours, following which he may be charged in court or released on bail or bond pending further investigations.

Power to conduct interviews

As part of the investigations, tax investigators have the power to interview business owners and employees on the day of the surprise visit and record their statements. Such interviews could also extend to any relevant third parties (such as ex-employees, suppliers and customers), including obtaining or verifying information with third parties (such as financial institutions and other government agencies).

In the interview, tax investigators are allowed to ask and gather all information as long as it is relevant to their investigations or prosecution of a person for an offence under the Income Tax Act (ITA) or Goods and Services Tax Act (GSTA).

It should be noted that it is mandatory for a person to personally attend the interview with IRAS once a notice under section 65B of the ITA or section 84 of the GSTA is issued. Failure to comply is an offence and, if found guilty, the person would be liable to a fine of up to S$10,000 or to imprisonment for a term not exceeding 12 months or to both.

At the conclusion of the interview, a written statement would usually be taken.

> If the tax auditors or investigators come knocking on your door, knowing what to expect and what to do will definitely make it a less stressful experience.

OUTCOME OF A TAX AUDIT OR TAX INVESTIGATION

Tax audit

Upon conclusion of a tax audit, IRAS would notify the business of the outcome via writing or through a meeting with the business' representative. Where discrepancies are found, adjustments would be made to the business' tax assessments for the relevant year of assessment. IRAS may offer to compound minor offences, such that the business would instead pay a composition fee.

Tax investigation

There are four possible outcomes arising from a tax investigation – no further action, stern warning or conditional warning in lieu of prosecution, composition of minor offences, and prosecution.

If no evidence of wrongdoing is found (such as where the irregularities arose from different technical interpretations), a case may be closed without any further action required after the appropriate tax adjustments have been made.

In some cases, stern warnings or conditional warnings may be issued

in lieu of court prosecutions. When a conditional warning is issued, the business or person is warned that the prosecution of the offence, for which IRAS is of the view has been committed, is withheld for a period of time, during which the business or person warned undertakes not to commit any other offences. Upon the expiry of this period and fulfilment of the condition, no further actions would be taken in respect of the case.

There may also be cases where IRAS is of the view that certain offences have been committed but instead of prosecution in court, the business or person is offered a chance to pay a composition fee instead. If the offer of composition is accepted, and full payment of the additional tax payable as well as the composition sum is made, no further prosecution action will be taken against the business or person. Depending on the severity of the offence, the composition sum can be up to 400% of the additional tax payable.

The most serious outcome of a tax investigation is prosecution where the business or person(s) related to the business is/are charged in court. This happens when IRAS has established a prima facie case that offences have been committed, and is of the view that court proceedings should be initiated to prosecute the business or abettors for tax evasion or tax-related offences.

WHAT ARE THE PENALTIES FOR TAX OFFENCES?

The prescribed sentencing range and mandatory penalties for common income tax and GST offences are stipulated in the ITA and GSTA respectively. Section 95 of the ITA covers incorrect tax returns, while Sections 96 and 96A deal with tax evasion and serious fraudulent tax evasion respectively.

Similar provisions are found in the GSTA. Specifically, Section 59 of the GSTA covers penalties for incorrect GST returns, while Sections 61 and 62 cover penalties for failure to register for GST and fraud respectively.

It is noted that since June 2021, the High Court has endorsed a new sentencing framework for income tax evasion, where the sentencing range has been expanded and imprisonment terms increased.

As the saying goes, "It is always better to be over prepared than under prepared." If the tax auditors or investigators come knocking on your door, knowing what to expect and what to do will definitely make it a less stressful experience. ISCA

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