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Singapore has extended climate disclosure timelines for small and mid-sized companies. This risks creating a two-speed ESG economy, say SMU professors.



**SINGAPORE:** Singapore has built a reputation as a first mover in sustainable finance and corporate governance – but the recent decision to extend climate disclosure timelines could test that leadership.

On Aug 25, the Accounting and Corporate Regulatory Authority and Singapore Exchange Regulation delayed climate reporting requirements for small- and mid-sized companies (SMEs). Initially set to take effect in financial years commencing in 2025, SMEs now have until 2030 to start reporting in line with new international climate disclosure standards.

Known as ISSB S1 and S2, these standards the long-standing lack of comparability and consistency in climate disclosures. S1 focuses on overall sustainability risks, while S2 zeroes in on climate-related risks, including carbon emissions across a company's supply chain.

Large firms outside the Straits Time Index (STI) were granted a shorter extension until 2028, while STI firms – which include the likes of DBS, Singtel and Keppel – must still comply by 2025, as originally planned.

The goal of the delay was to give smaller companies more time to build capacity in environmental, social and governance (ESG) reporting. But does more time mean better preparation – or fading urgency?

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## IMPACT ON MARKETS

We studied the market response in the days following the announcement across SGX-listed companies. We looked not just at raw price movements, but at how these firms performed relative to general market trends – a standard approach in financial research to isolate the impact of a specific event.

Large non-STI firms saw their share prices rise by over 2 per cent. The signal from investors was clear: Delaying compliance eased pressure and gave these firms breathing room. The pause could also help others, including non-listed companies, strengthen internal processes.

KTC Civil Engineering & Construction, known for projects like Marina Bay Sands and Tampines Central Station, began tracking its emissions two years ago. "At first, we did yearly tracking, but now we have developed monthly tracking capabilities which allow us to act faster," Chun Huan Liaw, KTC's Chief Financial Officer told us. "The focus has shifted from reporting numbers to learning from the data and having more meaningful discussions."

STI firms, which were not affected by the announcement, also saw a positive response of 1.3 per cent. This likely reflects investor confidence in their readiness – many of these large firms already publish detailed climate reports and track emissions, even voluntarily.

But small-cap companies, which make up about 70 per cent of SGX-listed firms, saw their stock prices fall by over 1 per cent. Even though these companies benefit from the delay, the market reaction suggests something else: Investors may be concerned that these firms lack the capability or motivation to engage seriously with sustainability. For long-term investors, that's a red flag.

Some industries stood out. Real estate firms saw a modest bump in their share prices. That's not surprising – many already follow internationally recognised frameworks such as LEED, which focuses on environmental building standards, and WELL, which emphasises the health of building occupants.

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For them, the SGX delay eases potential duplication and gives time to align with global rules. "Markets are already pricing in the brown discount," said Yvonne Huang, APAC Director at GRESB, referring to the lower value of buildings that fail to meet sustainability standards.

But shares of energy companies dropped sharply – by over 8 per cent. This is likely because the sector is seen as slow to act amid growing pressure to decarbonise. The delay may have signalled to investors that these firms are not ready or willing to transition, which could affect their long-term viability as climate regulations tighten globally.

#### TWO-SPEED ESG ECONOMY

This uneven response underscores a two-speed ESG economy emerging in Singapore. Delays risk turning ESG into a box-ticking exercise rather than a catalyst for transformation. Without regulatory pressure, smaller firms may defer internal change, widening the gap between large-cap leaders and lagging SMEs.

The objective of sustainability reporting is not merely to comply with international frameworks, just as the goal of education is not simply to pass exams or obtain certificates. When done with the right intention, reporting can serve as a tool for strategic clarity and long-term value creation.

A delayed rollout may make sense administratively. But if Singapore's ambition is to be a leading sustainable finance hub, then a two-speed ESG economy – where large firms push forward and smaller ones lag behind – may not be in the long-term interest of investors, regulators, or the planet. A two-speed ESG system could erode investor confidence and dilute Singapore's competitive edge in sustainable investment flows.

The market has rewarded readiness and penalised hesitation. The next few years will show whether Singapore uses this pause to strengthen its sustainability leadership.

Neighbouring financial centres are not standing still: Hong Kong plans to mandate ISSB-aligned disclosures for listed companies by 2028, while Taiwan will require all listed firms to comply with ISSB S1 and S2 in financial years beginning in 2028.

The delay has bought time. Whether that time is well used remains to be seen. The market, as always, is already making its assessment.

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