

## **Mandatory Requirements for 2018 – IFRS convergence, Sustainability and Integrated Reporting**

The regulatory landscape for listed companies in Singapore is changing rapidly in both financial and non-financial reporting. Having to deal with new and updated financial reporting standards had always been the norm. On top of this, there is now the impending convergence with International Financial Reporting Standards (IFRS) that will be effective for annual periods beginning on or after January 2018.

When this IFRS convergence occurs, listed companies will need to prepare financial statements according to a new Singapore financial reporting framework identical to the IFRS. Preparing for this will involve at least two matters. Firstly, understanding and evaluating the impact this move will have on the financial statements. Secondly, implementing changes in accounting policies and procedures to meet the new requirement.

Listed companies had been dealing with governance, risk and compliance (GRC) issues since the release of the inaugural Code of Corporate Governance in 2001. From 2017, they will also have to be concerned with environmental, social and governance (ESG) risks and opportunities.

While the number of entities had grown, the listed companies that had voluntarily published sustainability reports are still in the minority. With the latest change however, all Singapore listed companies will be required to publish a sustainability report annually from the year 2018.

The transition will involve application of IFRS 1: First-time Adoption of International Financial Reporting Standards (IFRS 1). In order to report 31 December 2018 financial statements under SG-IFRS, IFRS 1 requires presentation of comparative information for 2017 and an opening balance sheet as at 1 January 2017 that comply with SG-IFRS. The basic principle in IFRS 1 is that the *latest version of each IFRS must be applied retrospectively*, unless a specific exemption or relief is provided in IFRS 1.

It is important to note that IFRS 1 also applies to any interim financial statements prepared under IAS 34: Interim Financial Reporting for a period covered by those first financial statements that are prepared under IFRSs, and SGX-listed companies are expected to provide IFRS-compliant comparatives and disclosures about the transition in their 2018 quarterly and half-yearly announcements. Companies need to be ready to articulate the impact by the first-quarter announcement or half-year announcement, whichever is applicable

A key part of the convergence process involves identification of the differences between Singapore FRS and IFRS that may affect the company's financial statements, and understanding how to apply IFRS 1, which may result in restatements to the financial statements even if existing accounting policies under Singapore FRS are consistent with IFRS.