# PRACTICE NOTE 7F
# SUSTAINABILITY REPORTING GUIDE

*Cross-referenced from Rules 711A and 711B*

## 1. Introduction

1.1 Listing Rule 711A requires every listed issuer to prepare an annual sustainability report, which must describe the issuer's sustainability practices with reference to the primary components set out in Listing Rule 711B on a 'comply or explain' basis. This Practice Note contains the Sustainability Reporting Guide (the "**Guide**"), which provides guidance on the expected structure and contents and the preparation of the sustainability report.

1.2 Sustainability reporting disclosure does not detract from the issuer's obligation to disclose any information that is necessary to avoid the establishment of a false market in the issuer's securities or would be likely to materially affect the price or value of its securities pursuant to Listing Rule 703.

1.3 A glossary of the common terms used in the Guide is set out in paragraph 7 of this Guide.

## 2. Policy Statement on Sustainability Reporting

2.1 Issuers make regular financial reports to their investors that are used for assessment of the likelihood of repayment (in the case of debt securities) and the returns on investment (in the case of equity securities). Increasingly, investors are demanding that issuers fulfil these obligations in a responsible and sustainable manner.

2.2 Reflecting these expectations, financial reports increasingly need to be supplemented by descriptive and quantitative information on how business is conducted and the sustainability of the current business into the future.

2.3 SGX believes that the addition of sustainability reporting to financial reporting provides a more comprehensive picture of the issuer: statements of financial position and comprehensive income provide a snapshot of the present and an account of the past year, while sustainability reports of environmental, social and governance factors ("**ESG factors**") show the risks and opportunities within sight, managed for future returns. Taken together, the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects and quality of management.

2.4 To achieve the additional transparency which encourages efficiency and innovation, SGX-ST requires each listed issuer to publish an annual sustainability report on a 'comply or explain' basis, in accordance with the Listing Rules. This Guide provides guidance to the issuer on compliance with the requirements under the Listing Rules.

## 3. Principles

### Board responsibility

3.1 Under the Code of Corporate Governance issued on 2 May 2012, the Board is collectively responsible for the long term success of the issuer. It provides strategic direction and specifically considers sustainability issues as part of its strategic formulation. Consistent with its role, the Board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed. The Board's close interaction with management will enable the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. The Board has ultimate responsibility for the issuer's sustainability reporting. If any question is raised regarding the issuer's sustainability reporting, the Board should make sure it is addressed.

**'Comply or explain'**

3.2 Each issuer is required to prepare an annual sustainability report. The sustainability report should include the primary components as set out in Listing Rule 711B and paragraph 4.1 of this Guide, on a 'comply or explain' basis. Where the issuer cannot report on any primary component, the issuer must state so and explain what it does instead and the reasons for doing so.

**Report risks as well as opportunities**

3.3 In identifying material ESG factors, the issuer should consider both risks and opportunities. In addition, it is conceptually sound, and validated by experience, that risks well-managed represent strengths which can be applied to fulfill opportunities. The risks and opportunities within sight have direct bearing on strategies and operations and should be reported for clearer understanding of the issuer's performance, prospects and management quality. To facilitate understanding, issuers should give the whole explanation in a concise manner.

**Balanced reporting**

3.4 In reporting on sustainability, care should be taken to give an accurate and balanced view. There may be a tendency to give more prominence to what is favourable and understate what is negative. Both situations require comprehensive explanations. In reporting performance, factors beyond the issuer's control are as relevant to exceeding the target as to a performance shortfall. In the event of underperformance, the issuer's response is also important and should be included to bring about confidence in its longer term sustainability objectives.

**Performance measurement system**

3.5 An effective policy and operational response to sustainability risks and opportunities requires performance measurement and its linkage to performance incentives. Having a good performance measurement system allows the issuer to benchmark performance against stated objectives and facilitates comparison over time and across entities. Clearly linking sustainability risks and opportunities with strategy, other organisational risks, operational indicators, performance measures and performance incentives not only enhances understanding but provides an engine for improvement, innovation and accountability.

**Global standards and comparability**

3.6 The issuer needs to give priority to using globally-recognised frameworks and disclosure practices to guide its reporting. The increasingly borderless markets for funds as well as for goods and services mean that corporate reporting standards tend to gravitate toward global best practice. Added to this is the international character of SGX-ST both in terms of listed issuers as well as investors. The individual issuer should take care that its disclosure efforts not be considered inadequate by stakeholders. Where the issuer is applying a portion of a particular framework, the issuer should provide a general description of the extent of the issuer's application of the framework.

**Stakeholder engagement**

3.7 The issuer's responsibility on disclosure, including annual reports and sustainability reports, is first and foremost to current and potential shareholders, i.e. the investing public. Interaction of the issuer with its other stakeholders is also of interest to investors for its relevance to sustainability across the value chain of the issuer. The views of stakeholders also contribute to inform the issuer's identification of material ESG factors. On a continuing basis, regular and sustained engagement with stakeholders provides the issuer with an up-to-date picture of its sustainability within both its business and physical environments. The material outcomes of such engagement should be included in the sustainability report.

**Independent assurance**

3.8 Independent assurance increases stakeholder confidence in the accuracy and completeness of the sustainability information disclosed. An issuer whose sustainability reporting has already matured after several annual exercises would want to undertake external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken. An issuer new to sustainability reporting may wish to start with internal assurance before progressing to external assurance for its benefits. The issuer should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects of its report even in its initial years, expanding coverage in succeeding years.

## 4. Contents of Sustainability Reporting

**Primary components**

4.1 The sustainability report should comprise the following primary components:

(i) **Material ESG factors**. The sustainability report should identify the material ESG factors, and describe both the reasons for and the process of selection, taking into considering their relevance to the business, strategy, business model and key stakeholders.

(ii) **Policies, practices and performance**. The sustainability report should set out the issuer's policies, practices and performance in relation to the material ESG factors identified, providing descriptive and quantitative information on each of the identified material ESG factors for the reporting period. Performance should be described in the context of previously disclosed targets.

(iii) **Targets**. The sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified.

(iv) **Sustainability reporting framework**. The issuer should select a sustainability reporting framework (or frameworks) to guide its reporting and disclosure. The sustainability reporting framework(s) selected should be appropriate for and suited to its industry and business model. The issuer should state the name of the framework(s), explain its reasons for choosing the framework(s) and provide a general description of the extent of the issuer's application of the framework(s).

(v) **Board statement**. The sustainability report should contain a statement of the Board on the Board having considered sustainability issues as part of its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors.

**Identification of material ESG factors**

4.2 The issuer should review its business in the context of the value chain and determine what ESG factors in relation to its interaction with its physical environment and social community and its governance, are material for the continuity of its business. The issuer is expected to report the criteria and process by which it has made its selection with reference to how these factors contribute to the creation of value for the issuer.

4.3 In broad terms, environmental factors would include materials, energy, water, emissions, effluents and waste as well as environmental complaint mechanisms. Social factors would include health and safety, employment practices and labour rights such as collective bargaining, as well as product responsibility, anti-corruption and supplier assessments. The framework chosen is likely to have additional factors that the issuer would report on.

4.4 Corruption is a factor on which many investors require reassurance, whether inducement is being offered to employees or by employees to others. Where corruption has been addressed in the Corporate Governance report, the issuer may refer to that report. If corruption is not assessed to be a material ESG factor by the issuer, where stakeholders express sufficient interest in the information, the issuer is advised to state its policy and safeguards on its website.

4.5 Gender, skill and experience have been highlighted as diversity indicators material to business sustainability. Diversity greatly enhances the issuer's capacity for breadth of input and perspectives into decision making, risk alertness and responsiveness to change. The issuer should be aware of this trend and assess whether diversity is a material social factor in its business. It should engage stakeholders in assessing the necessity of reporting on this matter. In satisfying investors and other stakeholders, diversity should be examined through broad levels of staff and also importantly, in the Board. Where diversity has been addressed in other sections of the annual report, the issuer may refer to those sections. If diversity is not assessed to be a material ESG factor by the issuer, where stakeholders express sufficient interest in the information, the issuer is advised to state its policy and actions on its website.

4.6 The issuer should consider not just its internal circle of operations but also widen that circle to include persons and processes in the value chain that contribute to the issuer's product or service. Parts of the business outsourced to third parties (for example, freight and logistics), as well as downstream processes (for example, product defect response), constitute an integral part of the issuer's business and need to be included in the sustainability report.

**Materiality**

4.7 As guidance, sustainability reporting relates to the most important environmental, social and governance risks and opportunities that will act as barriers or enablers to achieving business goals in the short, medium and long term. The omission or misstatement of these risks or opportunities could influence the decisions of investors.

4.8 Generally, what is material in sustainability reporting would also be considered material in financial terms, if not in the immediate period, then over time.

4.9 In assessing materiality of the ESG factors on which it reports, the issuer should first satisfy itself of the relevance of selected factors to its business strategy and outcomes. This has the benefit of focusing both executives and employees on uniform key risks and opportunities that deliver (or impede) desired outcomes.

4.10 The issuer should use risk ranking and prioritisation to distil the material ESG factors. This process is similar to the widely-practised Enterprise Risk Management (ERM) process. The issuer should expand the breadth of the assessment to account for material ESG factors.

4.11 The Board should determine the material ESG factors and the issuer's response to the attendant risks and opportunities. Discussion with stakeholders contributes to an accurate appreciation of what is important in the business on an ongoing basis.

**Possible process and tools**

4.12 A possible process for assessing ESG factors with material relevance to the business and business model are set out in the following paragraphs.

4.13 In assessing materiality of the ESG factors on which it reports, the issuer may consider:

(i) Value drivers

(ii) Stakeholder engagement

(iii) Risk management

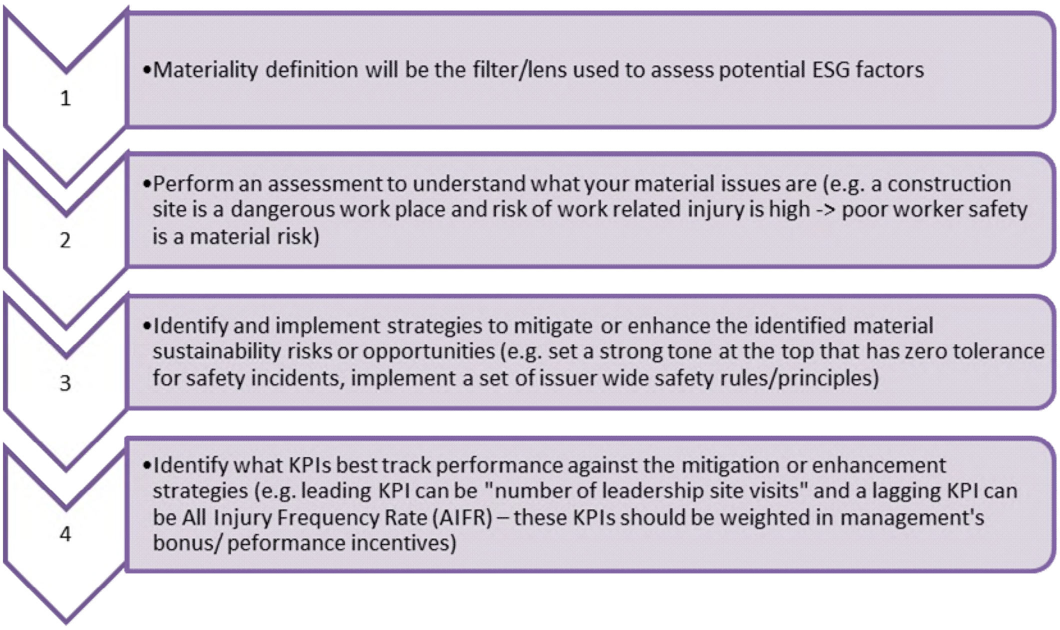
(iv) External factors, for example sector, geography, economics, market, social, environment

(v) Internal factors, for example business model, business cycle, strategy

(vi) Qualitative perspectives, for example operational, strategic, reputational and regulatory

(vii) Timeframe of these considerations

**Figure 1: Order of considerations and determination of the material ESG factors**




4.14 The issuer may use the following Materiality Determination Process tools (templates) and step-by-step guidance (Identify – Rate – Prioritise – Validate). These tools are guidance and not mandatory. The issuer should disclose the outcomes of this process but can use its discretion as to whether it would like to disclose any part of the tools in their sustainability report.

(i) STEP 1: IDENTIFY. The issuer can use this template to identify the most pressing (material) factors (impact/opportunities) for the issuer (or for each subsidiary in the group). It will also help formulate management's approach and response, and identify where data collection needs to be strengthened.

**Template 1: Issue identifications template**

| **XX Issuer** | | **Issue 1** | **Issue 2 etc.** |
|---|---|---|---|
| **INDUSTRY** | **Construction** | | |
| **COUNTRY OF OPERATION** | Singapore, Malaysia, China, Indonesia | | |

| | | | |
|---|---|---|---|
| **NO. OF EMPLOYEES** | XXX (this is only permanent employees which make up approx. 40% of workforce) | | |
| **MATURITY** | Fairly good. Has a 2014 Sustainability Report. | | |
| **WHAT** | What is the issue? (What should the issuer be reporting) | Worker safety | Diversity |
| **WHY** | Why is it material? | Construction sites, working at heights. Labour intensive. Exposure risk is high. | Xxx |
| **RESPOND** | How is/should the issuer strategically respond to address the issue? | Operational decisions made by Safety Forum. Issuer has 5 cardinal rules for safety and management's performance bonus linked to leading safety targets. | Xxx |
| **MEASURE** | How is the issuer measuring performance in this area? | All Injury Frequency Rate (AIFR)<br><br>Fatalities<br><br>Number of leadership site visits | Xxx |
| **AVAILABILITY** | How easy will it be to collect? | Yes- reported for regulatory compliance | Xxx |
| **TARGET** | What are/should the targets be?<br>(benchmark) | All Injury Frequency Rate (AIFR) target at 9<br><br>Number of leadership site visits: 6 | Xxx |
| **STAKEHOLDERS** | Which stakeholder group is impacted or impacts the business. | Employees, Regulator, Shareholder | Xxx |
| **VALUE CHAIN** | Is the impact inside or outside the organisation | Inside | Xxx |

*Source: KPMG*

(ii) STEP 2: RATE. Once the issues of the issuer and its subsidiaries have been explored using Template 1, the issuer will need to cluster similar issues e.g. safety and health issues can be clustered together. If the issuer is a holding company, a rating process can be done to assess what issues are pervasive/most common across the group. The issuer can use Template 2 as a guide.

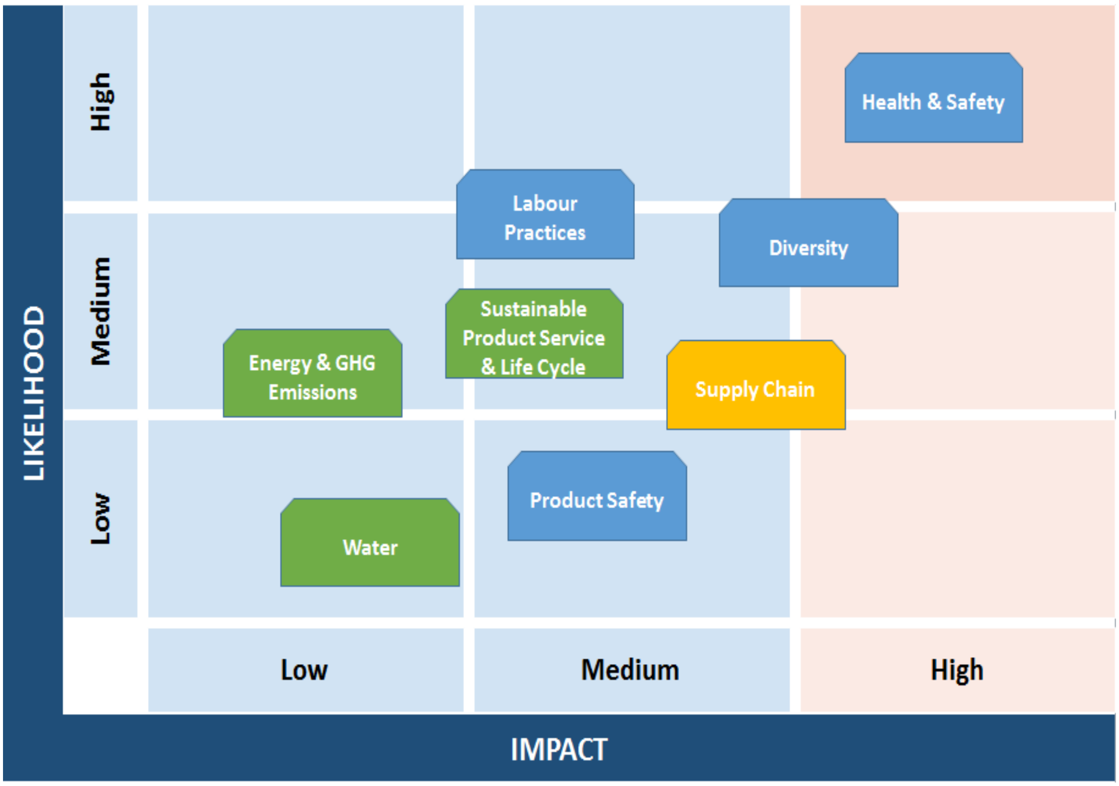
**Template 2: Clustering and rating of issues**

| Potential issue clustering & rating | Safety and Health | Diversity | Labour Practices | Supply Chain | Climate Change | Water | Etc |
|---|---|---|---|---|---|---|---|
| Construction | | | | | | | |
| Subsidiary 1 | ✓ | ✓ | ✓ | ✓ | ✓ | | |
| Subsidiary 2 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Subsidiary 3 | ✓ | ✓ | ✓ | | | | ✓ |
| Xxx | ✓ | | ✓ | ✓ | | ✓ | |
| Xxx | ✓ | ✓ | | ✓ | ✓ | | |
| Chemical | | | | | | | |
| Xxx | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |
| Xxx | ✓ | ✓ | ✓ | | ✓ | ✓ | ✓ |

*Source: KPMG*

(iii) STEP 3: PRIORITISE. Once the issues of the issuer and its subsidiaries have been clustered and rated using Template 2, the issuer will need to prioritise them using a matrix. The following matrix plots the potential issues based on likelihood and impact.

**Template 3: Material factors matrix**




*Source: KPMG*

(iv) STEP 4: VALIDATE. Once the issuer has prioritised its factors, they need to be internally validated and signed off by leadership. The factors in the top right are the "critical factors" (if the issuer gets these factors wrong – business is at risk; conversely, if the issuer gets these factors right – business will benefit).

**Sustainability reporting framework**

4.15 The issuer should select a sustainability reporting framework which is appropriate for and suited to its industry and business model, and explain its choice. In doing so, the issuer should place importance on using a globally-recognised framework for its wider acceptance in an increasingly global marketplace. The issuer can be more easily understood and compared with its peers in Singapore as well as in other jurisdictions across the world. The issuer should exercise considerable caution if it chooses to deviate from generally-accepted frameworks.

4.16 Among the well-known and globally-recognised sustainability reporting frameworks, the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines set out generic sustainability factors and general principles and indicators that an issuer can use to report sustainability policies, practices, performance and targets. The International Integrated Reporting Council's Framework (<IR>) also sets out a general framework for reporting. An issuer using <IR> should consider ESG factors when determining their material factors for inclusion in the integrated report. The issuer may also consider referring to the Sustainability Accounting Standards Board's (SASB) standards which adopt an industry-specific approach to material ESG factors.

4.17 The issuer may consider provisions of the Climate Disclosure Standards Board or the Carbon Disclosure Project to be particularly relevant for industries sensitive to environmental matters, such as mining, minerals and agriculture, while standards of the Roundtable on Sustainable Palm Oil may be the choice of an issuer in that industry. More than one sustainability reporting framework may be chosen as relevant to the issuer's business.

4.18 The issuer is expected to follow the chosen framework(s) from year to year and build up its knowledge and understanding of how to report effectively. In turn, it can expect to be building up investors' and stakeholders' understanding, leading to increased confidence. In the absence of regulatory changes, only major changes in business strategy and/or model are likely to require change in sustainability reporting framework. This does not preclude examination of framework relevance from time to time.

**Time horizons used in the sustainability report**

4.19 In making its sustainability report, the issuer should consider whether it would be useful to report matters for their relevance in the short, medium and long term. Accordingly, sustainability policies, practices, performance and targets would be considered along the same time horizons. Typically the short-term is considered less than one year for banking and financial instruments. Beyond a year, the issuer may wish to take reference from their typical planning horizon, investment cycle or plant renewal or other considerations relevant to its business. The long-term should be a useful time horizon over which expectation can be formed and efforts planned.

**Stakeholder engagement**

4.20 Stakeholder engagement is integral to any business and would be conducted regularly. The issuer should consider ESG factors in their engagement with stakeholders, not just with investors, but also customers, staff, suppliers, regulators, local communities and others in the value chain. The issuer should monitor carefully its communication with stakeholders so as to avoid any information asymmetry as it may lead to unfair trading in the securities market.

**Group and investment holding company reporting**

4.21 Where holding companies and operating subsidiaries are both listed issuers having to undertake sustainability reporting, the operating entities can report on the ESG factors within their scope of operations. If the ESG factors are also material to the holding company, the holding company may make reference in its sustainability report to the sustainability reports of the operating subsidiaries. If the holding company has material investee companies which are not subsidiaries, its sustainability report should include the selection and management of these investee companies.

## 5. Form and Frequency of Sustainability Reporting

5.1 The issuer should report on sustainability at least once a year. The issuer's sustainability disclosure may be done in its annual report. The inclusion of sustainability risks and opportunities with the businesses' other risks and strategy in the same document presents advantages to the user. Sustainability reports contained within annual reports would observe annual report deadlines. Alternatively, if more appropriate for the circumstances of the issuer, the issuer may include a summary in its annual report and issue a full standalone sustainability report within 5 months of the end of the financial year.

5.2 In either case, the issuer should make available its sustainability reports on SGXNet and on its company website. After a few years of sustainability reporting, the issuer may wish to maintain static information, such as, policies and historical sustainability information, on its website while presenting the current year's changes as well as performance in the annual sustainability report.

5.3 To provide sufficient time for preparation, an issuer in its first year of reporting may report within 12 months of the end of its financial year.

## 6. Phased Approach

6.1 Sustainability reporting takes effect for any financial year ending on or after 31 December 2017. Issuers who do sustainability reporting say that employees gain clarity and focus around common company priorities. Smaller issuers like larger ones, already manage their sustainability issues as part of risk management and good business practice. They need only take the next step to articulate what they do in sustainability terms. The sooner they commence sustainability reporting, the sooner they can benefit from doing so. Early adoption is encouraged.

6.2 While all issuers will begin sustainability reporting for any financial year ending on or after 31 December 2017, they may differ in the speed at which they progress in quality and depth.

6.3 For the first year of sustainability reporting, the issuer should have at least the assessment of material ESG factors, policies and/or practices to address the factors; but if their reporting is lacking in qualitative or quantitative descriptions, they need only state progressive targets for reaching maturity of reporting and do their best to meet them in subsequent years.

6.4 An example of a phased implementation approach is illustrated in the table below:

**Illustration of Possible Phased Approach**

<table>
<tr><th rowspan="2">Primary Components</th><th colspan="3">Adoption</th></tr>
<tr><th>Year 1</th><th>Year 2</th><th>Year 3</th></tr>
<tr><td rowspan="2">Material ESG Factors (identified through process in paragraph 4.14 of this Guide, defined as, for example, high impact and high likelihood)</td><td>Addressed most critical factors</td><td>Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material</td><td>Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material</td></tr>
<tr><td colspan="3">Material ESG factors would be dependent on current business strategy, market conditions, stakeholder concerns etc., therefore the number of material ESG factors may vary year-on-year.</td></tr>
<tr><td>Policies, practices and performance</td><td>Minimal description of how issuer manages material factors<br><br>No previous targets for comparison of performance<br><br>One metric per factor<br><br>Plans for improved reporting in future</td><td>Description includes specific policies, practices per material factor<br><br>More quantitative metrics and qualitative description per factor<br><br>Comparison against previously disclosed qualitative commitments and targets with explanation of overachievement and shortfall</td><td>Description includes specific policies, practices per material factor<br><br>Qualitative and quantitative description per factor<br><br>Comparison against previously disclosed targets and commitments with explanation of overachievement and shortfall</td></tr>
<tr><td>Targets</td><td>Qualitative commitments if no quantitative targets</td><td>Short and long term qualitative targets and some quantitative targets</td><td>Short and long term qualitative and quantitative targets<br><br>Include peer/sector benchmarks<br><br>Targets linked to management performance incentives</td></tr>
<tr><td>Sustainability Reporting Framework</td><td>GRI</td><td>GRI</td><td>GRI</td></tr>
<tr><td>Board Statement</td><td>Complied</td><td>Complied</td><td>Complied</td></tr>
</table>

6.5 For an issuer listed on or after 1 January 2017, sustainability reporting will be required from its first full financial year of listing.

## 7. Glossary

| | |
|---|---|
| **ESG factors** | Environmental, social and governance factors that affects the issuer's performance and prospects. Also referred to as sustainability issues, or sustainability risks and opportunities. Does not mean philanthropy or other charitable activities. |
| **Sustainability reporting** | The publication of information on material ESG factors in a comprehensive and strategic manner. |
| **Materiality** | In relation to ESG factors, the most important environmental, social and governance risks and opportunities that will act as barriers or enablers to achieving business goals in short, medium and long term. The omission or misstatement of these risks or opportunities could influence the decisions of investors. |

SGX
SINGAPORE EXCHANGE

# Guide to Sustainability Reporting for Listed Companies

*Note:*
*The Sustainability Reporting Guide set out in Practice Note 7F of the SGX-ST Listing Rules (Catalist) updates this "Guide to Sustainability Reporting for Listed Companies" issued in 2011 and is implemented as a Practice Note to the SGX-ST Listing Rules (Catalist). This "Guide to Sustainability Reporting for Listed Companies" is reproduced for record purpose.*

# Contents

# Policy Statement on Sustainability Reporting

## 1 Objective

1.1 The Exchange believes that sustainability reporting is an important aspect of holistic disclosure by listed companies. Issuers should assess and disclose the environmental and social aspects of their organisational performance, in addition to the financial and governance aspects that are already part of the customary and regulatory disclosure practiced.

1.2 The interaction with the communities in which the company operates, and its environmental and social interactions within such communities affect long-term organisational success. The company's relationship with its stakeholders drives the company to conduct its businesses responsibly. The Exchange notes that corporate transparency on responsible business practices, particularly the environmental and social aspects, may not have been perceived as necessary or important in the company's reporting to stakeholders. To address this information gap, the Exchange encourages listed companies to communicate with their stakeholders on their corporate footprint in the environmental and social realms.

1.3 This Policy Statement describes sustainability reporting and sets out broad principles to guide listed companies in formulating their sustainability reporting frameworks.

## 2 Introduction

2.1 The Brundtland Report (1987)[1] defines sustainable development as any development that "meets the needs of the present without compromising the ability of future generations to meet their own needs".

2.2 Various terms have been used to refer to the concept of sustainable development in relation to an organisation. Some of these include corporate social responsibility (CSR), corporate citizenship, sustainability, etc.

2.3 In the narrowest sense, sustainability reporting refers to the publication of environmental, social and governance (ESG) information in a comprehensive and strategic manner that reflects the activities and outcomes across these three dimensions of an organisation's performance.

2.4 The Code of Corporate Governance (the "Code") which is applicable to listed companies on a "comply or explain" basis, sets a high standard of corporate governance in Singapore. Principle 1 of the Revised Code states that the Board is collectively responsible for the long-term success of company. Guideline 1.1 of the Revised Code further elaborates that the Board's role includes a consideration of sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

2.5 The Exchange adopts a progressive approach towards sustainability and sustainability reporting, which balances global and local developments. The policy statement sets the baseline for holistic reporting going beyond corporate governance to social and environmental aspects. We expect, with this statement, to generate interest among listed companies, leading to acceptance of and commitment to sustainability as an operating principle.

[1] Our Common Future, Report of the Brundtland Commission, 1987, Oxford University Press

## 3 Principles

### Board Responsibility

3.1 The Board of Directors is responsible for the strategic direction of a company. This includes holistic integration of environmental, social and governance considerations in the company's strategy. In setting the company's values and standards, the Board works with management for a meaningful consideration of key sustainability issues throughout the organisation.

### Comprehensive Risk Management Framework

3.2 Stakeholders are increasingly looking beyond standard corporate governance issues to the Board's management of environmental and social issues. Stakeholders' confidence will be enhanced by the company's demonstration of effective management of the environmental and social aspects of its business operations. The Exchange considers that proper attention be given to the company's impact on the environment and society as part of the risks managed within a comprehensive risk management framework. The risks are both immediate and long-term. Accordingly, risk mitigation and reporting should be carried out.

3.3 Sustainability aspects may be organisational strengths. Companies with "Green Label" certification, socially-responsible processes, and who engage in preservation of biodiversity, demonstrate sustainability as corporate strengths. Engaging in sustainable business development contributes to the company's value and timely reporting should be done.

### Performance Measurement System

3.4 An effective risk management framework should be accompanied by a performance measurement system that allows the company to benchmark its sustainability performance against stated objectives and facilitates comparison over time. This helps the company to identify areas for improvement and demonstrate accountability. Most sustainability reporting frameworks provide further guidance on the indicators which should be measured.

### Sustainability Reporting

3.5 The Exchange encourages the company to disclose its sustainability policy, including mitigation of risks, performance data and other material information which deepens stakeholders' understanding of corporate performance. Sustainability reporting complements financial disclosure to give a comprehensive account of how the company has performed. Companies should provide a balanced and objective view of their performances by including both positive and negative impacts.

3.6 Listed companies should strive for high standards of sustainability reporting. They should ensure quality disclosure and transparency, going beyond the mere form of reporting.

### International Guidance

3.7 A vast body of literature is available for listed companies seeking detailed guidance on sustainability reporting. ISO 26000 – Guidance on Social Responsibility provides global guidance on concepts and principles relevant to social responsibility. The Global Reporting Initiative (GRI) Sustainability Reporting Guidelines provides a valuable framework to assist listed companies with sustainability reporting. Companies may adopt an approach best suited to their industry and location.

### Independent Assurance

3.8 Independent assurance increases stakeholder confidence in the accuracy and completeness of the information. External verification by independent professional bodies such as accounting firms would add credibility to the performance data and other information contained in the report. However, independent assurance is not a mandatory step in the process of sustainability reporting.

## 4. Guidelines to Implementation

4.1 This Policy Statement is supplemented by the Guide to Sustainability Reporting for Listed Companies issued by the Exchange on 27 June 2011.

# Purpose of the Guide to Sustainability Reporting

1.1 This Guide is a supplement to the "Policy Statement on Sustainability Reporting" issued by SGX on 27 June 2011. It answers frequently asked questions from listed companies on sustainability reporting.

**Voluntary Sustainability Reporting by Listed Companies**

1.2 Sustainability reporting is not a mandatory requirement for listed companies under the Listing Manual. As in many other countries, it is also a voluntary exercise in Singapore. However, there is increasing interest in sustainability issues globally, and consequently, a growing number of calls for companies to address sustainability in their business policies and practices, as well as to report on what and how well they are doing. Conceivably, there will be progress towards mandatory reporting through regulations and rules in the future.

1.3 Some listed companies already lead with high standards of sustainability reporting. However, most listed companies have yet to embark on sustainability reporting, perhaps due to considerations such as costs, reporting scope and lack of familiarity with the process. This Guide helps listed companies take that important first step, extending their reporting on corporate governance to environmental and social aspects of the company's performance.

# **Why** Report?

**Raises Corporate Transparency**

2.1 Sustainability reporting is a made-to-measure account of how environmental, social and economic considerations are embedded in the governance structure. It broadens organisational disclosure beyond traditional financial metrics and raises corporate transparency on environmental and social metrics. Sustainability reporting allows a balanced and understandable assessment of the company's performance by stakeholders to facilitate corporate accountability, as promulgated by one of the principles under the Code of Corporate Governance.

**Strengthens Risk Management**

2.2 By looking beyond economic, strategic and operational factors to include social and environmental considerations, sustainability reporting allows listed companies to consider emerging risk areas and to identify opportunities presented by risks that are overlooked by other analytical and systems-driven approaches. A risk management approach that incorporates sustainability provides management with useful data for identifying emerging issues and developing appropriate responses that help protect corporate reputation and improve shareholder value.

**Promotes Stakeholder Engagement**

2.3 Identification of and engagement with stakeholders are fundamental to sustainability reporting and are cited as critical steps by various international sustainability frameworks. Listed companies need to identify their stakeholders to effectively engage those that are interested in and affected by the company's sustainability performance. Given the varied nature and interests of stakeholders such as shareholders, employees, customers, suppliers and communities, stakeholder engagement enables the company to take into account the information needs of various stakeholders with regards to the disclosure of sustainability related information. The company must then prioritise the stakeholders and respective issues to disclose.

**Improves Communications with Stakeholders**

2.4 By broadening disclosure beyond financial disclosure to include non-financial disclosure of environmental and social interaction and impact, the company provides a framework for measuring non-financial performance. It also gives guidance on the opportunities and threats faced in managing non-financial risks. Sustainability reports can be used for benchmarking and assessing sustainability performance with regard to existing frameworks, demonstrating how the organisation influences and is influenced by expectations about sustainable development, and facilitating peer comparison over time.
As such, sustainability reporting serves as a platform for improving communications with stakeholders.

# **Who** Should Report?

3.1 The Exchange encourages **all** listed companies to consider sustainability reporting as an integral part of good corporate governance.

3.2 Sustainability reporting is particularly relevant for listed companies who:-

(i) Operate in industries that are susceptible to environmental and social risks;
(ii) Operate in industries that produce significant environmental pollutants;
(iii) Are heavy users of natural resources; or
(iv) Are part of a supply chain where end customers demand that suppliers and contractors behave responsibly.

3.3 Specifically, listed companies which are operating in the following high-impact sectors should set the tone and undertake sustainability reporting:-

(i) Agriculture;
(ii) Air transport;
(iii) Chemicals and pharmaceuticals;
(iv) Construction;
(v) Food and beverages;
(vi) Forestry and paper;
(vii) Mining and metals;
(viii) Oil and gas;
(ix) Shipping; and,
(x) Water.

# **How** to Report?

### Internationally Accepted Reporting Frameworks

4.1 The Exchange encourages the adoption of internationally accepted reporting frameworks, such as the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, in disclosing the company's sustainability performance. The GRI Sustainability Reporting Guidelines is globally applicable and sets out general principles and indicators that listed companies can use to measure and report their economic, environment and social performance. It is possible for listed companies to use the GRI framework without the obligation or need to engage external consultants. There is an entry-level template for first time reporters, which is designed to be accessible and easy to use.

### Industry-Specific Reporting Frameworks

4.2 Some listed companies operate in industries that are extremely sensitive to environmental and social issues. Industries such as the oil and gas, mining and metal sectors have high environmental and social exposures and impacts that warrant specialised reporting frameworks for meaningful assessment of organisational risks and performance. These listed companies are encouraged to adopt industry-specific reporting frameworks, such as the framework promulgated by the International Council on Mining & Metals for the mining and metal industry, or the GRI Sector Supplements for selected industries.

### External Assurance

4.3 Listed companies who have prepared sustainability reports may engage external assurance providers to conduct independent verification of the reports. Assurance on a sustainability report increases stakeholders' confidence in the accuracy and completeness of the information as well as adds credibility to the report. Assurance also acts as an important feedback mechanism to listed companies in improving the quality of their sustainability reports.

4.4 When selecting an assurance provider, the company should understand the nature of the assurance service that is being provided, the provider's skill and experience in providing such services, the rigour of the proposed assurance processes and the adherence to recognized standards. It is imperative that the assurance provider is independent of the report writer.

# **What** to Report?

5.1 A sustainability report is a made-to-measure account of the company's consideration and performance of environmental, social and governance issues. As such, the scope of sustainability reports can vary due to the company's unique characteristics, industry-specific concerns, and risks.

**Aspects of Sustainability Reporting Related to Environmental and Social Disclosures**

5.2 The Exchange encourages listed companies to consider and provide disclosure on the following matters, where material to their business operations:-

**General**

(i) Sustainability policy and goals, including milestones, plans for achieving goals, and long-term aspirations;
(ii) Corporate accountability and seniority of decision-making on sustainability issues;
(iii) Corporate stance on bribery and corruption;
(iv) Assessment of sustainability impacts, risks, or opportunities;
(v) Risk management policies and processes arising from environmental and social concerns;
(vi) Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organisation and its stakeholders, including fines, sanctions, prosecution, and accidents for non-compliance with environmental laws and regulation;
(vii) Issues and future challenges for the specific industry sector that the company operates in as observed by peers and competitors;
(viii) Performance assessment against stated goals, peers, and industry benchmarks;

**Environmental**

(ix) Climate change disclosures e.g. business or legal developments related to climate change mitigation or adaptation that may have an impact on the organisation;
(x) Biodiversity management;
(xi) Environmental management systems;

**Social**

(xii) Labour practices and relations;
(xiii) Diversity;
(xiv) Programs and practices that assess and manage the impacts of operations on communities; and
(xv) Product responsibility policy and practices.

**Aspects of sustainability reporting related to governance disclosures**

5.3 The governance aspect of sustainability reporting is well covered under the Code of Corporate Governance and listed companies are required to adopt a comply-or-explain approach towards corporate governance disclosure in their annual reports. In the context of sustainability, governance also addresses the systems and procedures that an organisation has in order to manage economic, environmental and social performance.

**Anti-Corruption**

5.4 Anti-corruption, being one of the ten priciples under the United ations Global Compact, deserves equal attention as other environmental, social and governance priciples. Listed companies should look beyond perfunctory observance of home laws and adopt policy and procedures relevant across the jurisdictions in which they operate and consider their reach down the supply chain, and report on implementation and compliance.

5.5 The list above is not exhaustive. Listed companies should refer to the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines for more comprehensive disclosure guidance.

**Preparation**

5.6 Sustainability reporting is also relevant for listed companies who are preparing or intending to embark on sustainability. Listed companies are encouraged to disclose their assessment of business operations, state of preparations and plans in order to gear up for sustainability reporting.

# **When** to Report?

### Disclosure at Initial Listing

6.1 At initial listing, reporting on sustainability issues gives a better understanding of the company. Together with the disclosure on governance, financial performance, risks as well as future prospects, sustainability reporting provides investors with a holistic presentation of the company's performance.

6.2 Risks arising from environmental or social concerns may form part of the uncertainties faced by the company. The company should make a comprehensive assessment of risks, including environment and social, in order to fulfill its risk disclosure obligation. For example, the company should disclose the risks arising from uncertainties where the application of environmental law is unclear. In addition, where environmental laws are widely crafted, the company should consider disclosing how it adheres to legal requirements, and how it intends to comply with the law on a continuous basis for investors. Any infringement, past and present, must also be disclosed, including how the company has dealt with the infringement and measures to ensure that such incident does not recur.

### Disclosure on a Continuing Listing Basis

6.3 Under Rule 703, a listed company is required to disclose information which is necessary to avoid the establishment of a false market in its securities, or that would be likely to have a material effect on the price or value of securities of that information. Disclosure of sustainability issues may fall within the ambit of Rule 703.

6.4 If the company assesses that a particular piece of information is currently not material under Rule 703, but may have wider and long-term implications on organisational performance, the company should consider making disclosure in the context of describing the business environment in which it operates. If there is no sustainability impact, a negative statement would be informative.

# **Where** to Report?

7.1 Listed companies have the flexibility to adopt the medium for sustainability reporting that is best suited and appropriate for their stakeholders and industry. When choosing the reporting medium, the company should consider factors such as the literacy rates of primary stakeholders, access to internet, and the environmental impact of printing documents.

**Sustainability Reporting in Annual Reports**

7.2 Instead of regarding environmental and social matters as separate issues, some companies have chosen to present such disclosures in the annual report. To the extent that sustainability is deeply embedded within the corporate consciousness, a holistic presentation combining financial and non-financial disclosures within the annual report is a natural reflection of the company's corporate practices.

**Standalone Sustainability Reports**

7.3 There are companies who have dedicated comprehensive disclosure of environmental and social issues in standalone sustainability reports. Such issuers are encouraged to continue with this practice.