SINGAPORE EXCHANGE

Guide to Sustainability Reporting for Listed Companies

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 and inclusion;
(xiv) Programs and practices that assess and manage the impacts of operations on communities; and
(xv) Product responsibility policy and practices.

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.

5.4 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

5.5 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.