

Sustainability Reporting Implementation Roadmap



About the Institute of Singapore Chartered Accountants

The Institute of Singapore Chartered Accountants (ISCA) is the national accountancy body of Singapore. ISCA's vision is to be a globally recognised professional accountancy body, bringing value to our members, the profession and wider community. There are over 32,000 ISCA members making their stride in businesses across industries in Singapore and around the world.

Established in 1963, ISCA is an advocate of the interests of the profession. Possessing a Global Mindset, with Asian Insights, ISCA leverages its regional expertise, knowledge, and networks with diverse stakeholders to contribute towards Singapore's transformation into a global accountancy hub.

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About ISCA's Corporate Reporting Committee

ISCA's Corporate Reporting Committee (CRC) is chaired by Mr. Tan Wah Yeow and comprises Sustainability Reporting subject matter experts. The terms of reference of the Committee is to promote quality Sustainability Reporting in Singapore. This is executed through the Committee with the support of two Working Groups – Sustainability Reporting Awareness Working Group and Sustainability Reporting Quality Working Group.

About ISCA's Corporate Reporting & Ethics Division

As the national accountancy body, ISCA is committed in supporting our members in their careers as they progress and rise to challenges faced along the way. The Corporate Reporting & Ethics (CoRE) Division provides technical support in areas of financial reporting, sustainability reporting, ethics and specialised industries such as capital markets, banking and finance, insurance and insolvency; and communicates insights and views to our members and the wider accountancy community. Through our specialised technical committees that comprise representatives from various stakeholders in the corporate reporting eco-system, we hear issues from the ground and conceive initiatives to promote and enhance quality, consistency and best practices to uphold technical excellence.

Preface

With the global push for Sustainability Reporting and the benefits that Sustainability Reporting brings to both investors and companies, the Singapore Exchange (SGX) issued a consultation paper on Sustainability Reporting in January 2016. Following that, SGX launched the Sustainability Reporting listing rules and the Sustainability Reporting Guide (the SGX Guide) in June 2016.

Entities listed on the SGX are required to prepare an annual Sustainability Report which describes the organisation's sustainability practices with reference to environmental, social and governance (ESG) issues with effect for any financial year ending on or after 31 December 2017. The SGX Guide provides guidance on the expected structure, contents and preparation of the Sustainability Report.

Though the Sustainability Reporting listing rules and the SGX Guide focus on the Sustainability Report, it is imperative for listed entities to understand that the process of implementing Sustainability Reporting entails more than just the Sustainability Report. The true value of Sustainability Reporting lies in how businesses are able to successfully integrate sustainability within their business strategies, operations and processes.

The Institute of Singapore Chartered Accountants (ISCA), through its Corporate Reporting Committee¹ and Sustainability Reporting Quality Working Group², has developed this publication to help new or early-stage Sustainability Reporting adopters kick-start their Sustainability Reporting journey. This publication, though not a substantive checklist on Sustainability Reporting, seeks to provide practical guidance on the Sustainability Reporting implementation process as well as key considerations for the entity's first Sustainability Report. Recognising that Sustainability Reporting is a journey, ISCA endeavours to update this publication at regular intervals.

We hope that this publication would serve as a simple and practical guide to assist organisations formulate and execute their plans to achieve a smooth implementation of Sustainability Reporting. If you have any queries on this publication, please contact Lim Ju May or Kevin Yong from ISCA's Corporate Reporting & Ethics (CoRE) Division at core@isca.org.sg.

¹ Members of ISCA's Corporate Reporting Committee include Mr. Tan Wah Yeow (Chairman of the Committee), Ms. Fang Eu-Lin, Mr. Ian Hong, Mr. Rajnish Jutta, Mr. Krishna Sadashiv, Mr. Henry Tan Song Kok and representative from Singapore Exchange (SGX), Ms. Yeo Lian Sim.

² Members of ISCA's Sustainability Reporting Quality Working Group include Mr. Rajnish Jutta (Chairman of the Working Group), Mr. Chin Chee Choon, Mr. Ian Hong, Mr. Sahil Malhotra, Mr. Simon Yeo and representative from Singapore Exchange (SGX), Ms. Yeo Lian Sim.

ISCA gratefully acknowledges and thank these individuals and stakeholder for their contributions towards the development of this publication.

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Introduction

How do you define “Sustainability”?

While there are different definitions of sustainability, they convey the same principles. Some examples are stated below:

“Development that meets the needs of present without compromising the ability of future generations to meet their own needs”

- *United Nations, Brundtland Commission*

“... a business approach that creates long-term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments”

- *Dow Jones Sustainability Index (DJSI)*

“Sustainability in business means managing a company in a way that takes into account social, economic and environmental aspects, also referred to as the “triple bottom line”

- *Bursa Malaysia, “Powering Business Sustainability”*

“The continual improvement of business operations to ensure long term resource availability through environmental, socially sensitive, and transparent performance as it relates to consumers, business partners, and the community.”

- *Deloitte*

What is Sustainability Reporting?

“The publication of information on material ESG factors in a comprehensive and strategic manner. ESG factors are environmental, social and governance factors that affect 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.”

- *SGX Sustainability Reporting Guide*

“A sustainability report is a report published by a company or organization about the economic, environmental and social impacts caused by its everyday activities. A sustainability report also presents the organization’s values and governance model, and demonstrates the link between its strategy and its commitment to a sustainable global economy.

Sustainability reporting can help organizations measure, understand and communicate their economic, environmental, social and governance performance, and then set goals, and manage change more effectively. A sustainability report is the key platform for communicating sustainability performance and impacts – whether positive or negative.

Introduction

Sustainability reporting can be considered as synonymous with other terms for non-financial reporting; triple bottom line reporting, corporate social responsibility (CSR) reporting, and more. It is also an intrinsic element of integrated reporting; a more recent development that combines the analysis of financial and non-financial performance.”

- *GRI*

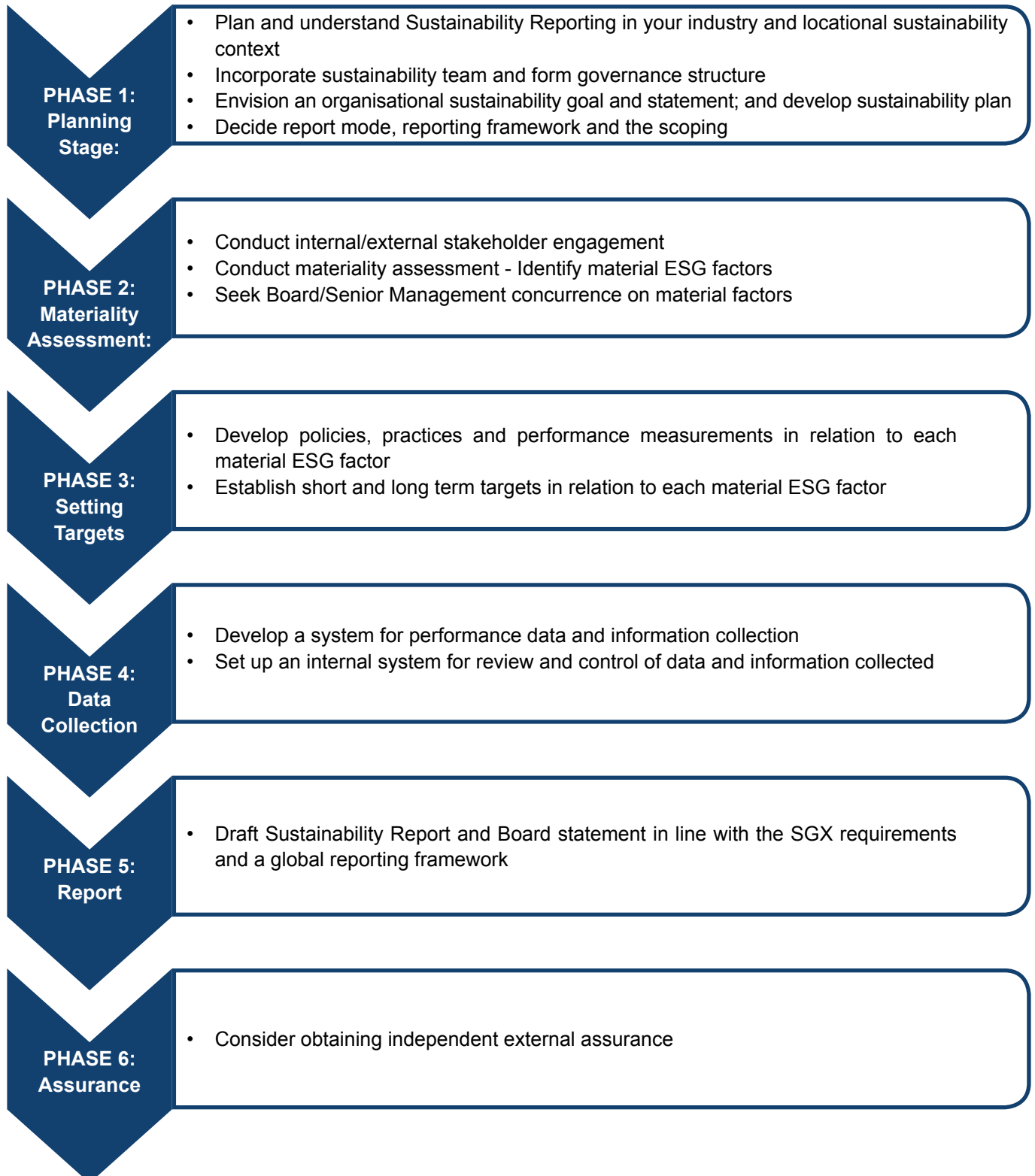
“There are two key aspects of sustainability in business: Reporting and Strategy. Reporting demands measurement of the different elements that are critical to effective sustainable business operations. Strategy helps to build on sustainability reporting as a tool to understand the internal and external impact on the business, using the data to help address the challenges of 21st-century business and create a competitive edge.”

- *Ernst & Young*

Introduction

ISCA Sustainability Reporting Implementation Roadmap

Below are the 6 phases of the ISCA Sustainability Reporting Implementation Roadmap.



PHASE 1: Planning Stage

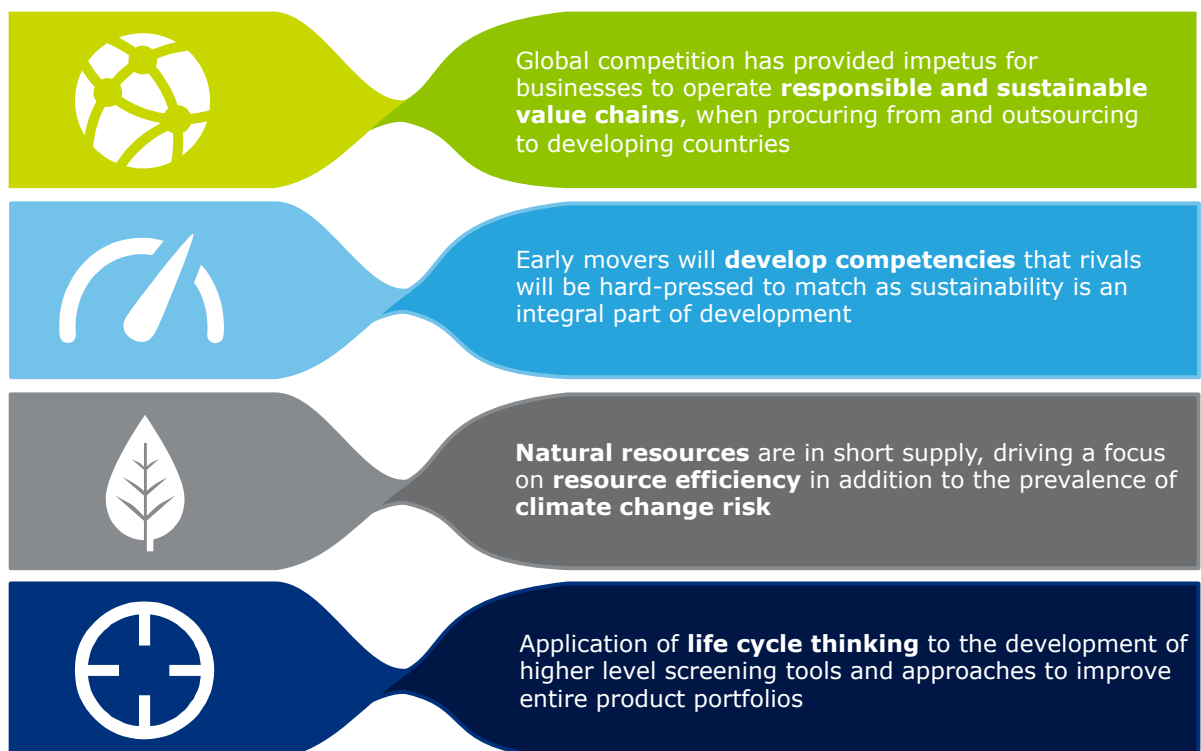
1.1 Plan and understand Sustainability Reporting in your industry and locational sustainability context

This is primarily an internal phase in the Sustainability Reporting process. The main objectives are to achieve internal alignment and get ready to commence the reporting process. During this phase, the issuer should try to understand and identify the organisation's and its industry's most critical ESG factors. The sustainability context applicable to the location of the organisation's operations should also be taken into consideration.

Decisions to make:

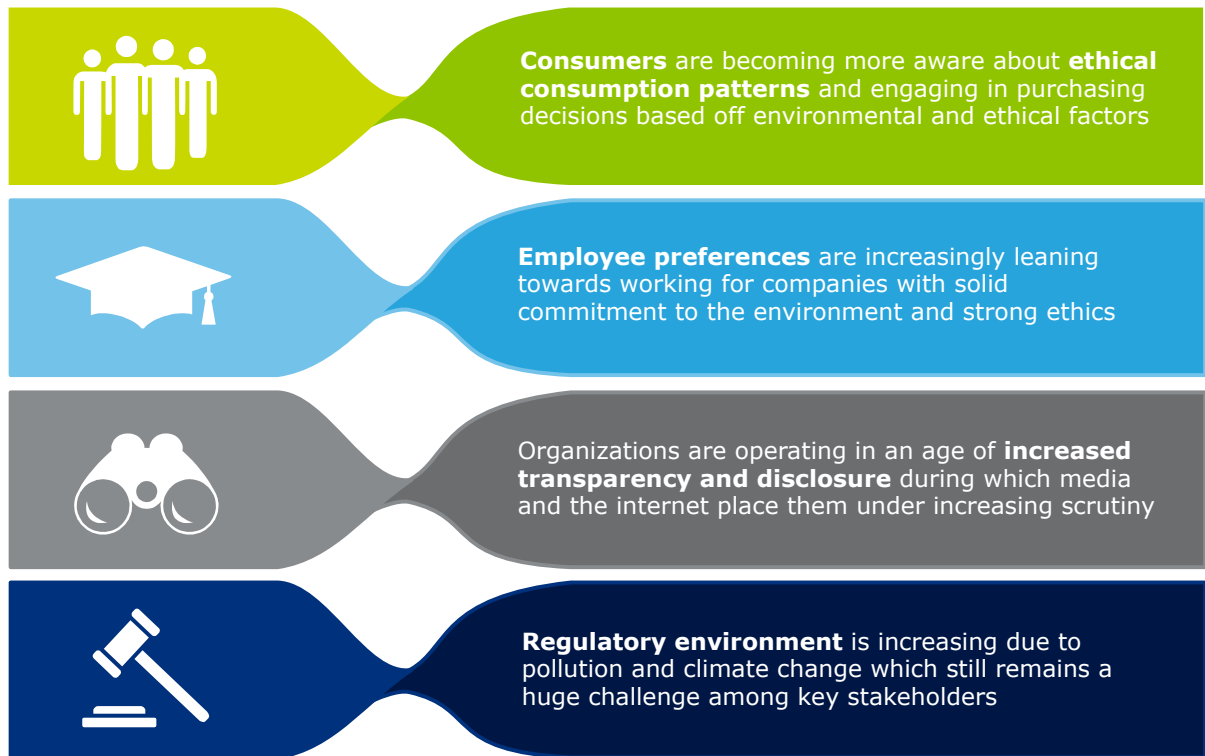
- Consider utilising either in-house sustainability expertise (when available) or external sustainability consultants.
- Select an appropriate Sustainability Reporting framework (or frameworks) in accordance with SGX Guide 4.1(iv).
- Determine your Sustainability Reporting journey - consider whether to adopt a phased implementation approach (see SGX Guide 6.4).

Importance of Sustainability to Business



PHASE 1: Planning Stage

Importance of Sustainability to Business



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**Source: Deloitte*

- 1.1.1 Understand sustainability issues unique to your industry and location(s) of your operations; and how your competitors are addressing them

GRI Topic Specific Standards – GRI 200 series on Economic topics, GRI 300 series on Environmental topics and GRI 400 series on Social topics; provide topic specific disclosures on an organisation's sustainability impacts/issues related to economic, environmental and social topics/factors.

PHASE 1: Planning Stage

Below are examples of key sustainability issues:



 Social	 Environmental	 Economic	 Governance
<ul style="list-style-type: none"> • Occupational Health & Safety • Security Practices • Occupant Health & Safety • Sustainable Community Practices • Employee Learning & Development • Diversity and Inclusion • Equal Remuneration for Women and Men • Talent Management 	<ul style="list-style-type: none"> • Energy Consumption • Emissions • Water • Effluents and Waste • Biodiversity • Water • Compliance 	<ul style="list-style-type: none"> • Economic Performance • Indirect Economic Impacts • Stakeholder Communication • Market Presence 	<ul style="list-style-type: none"> • Board Composition & Governance • Compliance • Risk Management • Data Security • Ethics & Anti-Corruption • Public Policy • Anti-competitive Behavior

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*Source: Deloitte

1.2 Incorporate sustainability team and form governance structure

- 1.2.1 Governance encompasses management structure, employee relations and executive compensation. The Board needs to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. Governance is very important for the long term because it produces continued repeated performance and assures investors that when a “negative” event happens, the company will manage it in the appropriate manner.
- 1.2.2 Assembling and educating a cross-functional team is a critical early step to kick-start the Sustainability Reporting process. Although this may be just one person (in the case of a small/medium sized enterprise organisation), it is recommended that the organisation forms a sustainability committee comprising a compact team of staff members, preferably representing each of the departments in the organisation.
- 1.2.3 The sustainability committee should have clear lines of reporting to the Board. Unlike ad-hoc and “taskforces” committees that are commonly established within companies today, a sustainability committee should be a more permanent structure within the organisation. Members of the committee should regularly, over the course of the year, meet and update on the progress of sustainability matters. These meetings need to be regarded with the same level of importance as other board-level meetings. The sustainability committee should be chaired by senior-level executives in the organisation (e.g. CEO, CFO).

PHASE 1: Planning Stage

Below is an illustrative example of an organisation's sustainability governance structure:

Sustainability governance

Board may consider delegating it to an appropriate Board committee, eg: audit committee, board risk committee

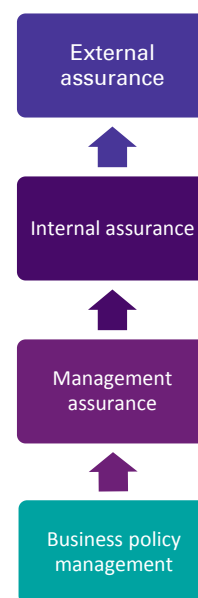
Senior management team to develop sustainability objectives and strategy, manage and monitor overall sustainability performance, reports to the Board

Task Force to drive sustainability programme across the organisation.

Should include representatives across functions and divisions.



The board can gain comfort over discharging their responsibilities on the publicly available sustainability report in a number of ways.



*The level and scale of the sustainability governance structure depends on the size and corporate structure of the company



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PHASE 1: Planning Stage

SGX Guide 3.1 – Board responsibility

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.

1.3 Envision an organisational sustainability goal and statement; and develop sustainability plan

The Sustainability Reporting action plan is to be presented to the Board/Senior management of the organisation. This includes creating a timescale, building a report team, and figuring out tasks and responsible parties.

SGX recognises that Sustainability Reporting is a journey and allows a phased implementation approach towards full implementation. Accordingly, you could consider developing a phased approach to Sustainability Reporting (e.g., a two to three year plan).

PHASE 1: Planning Stage

A Phased Implementation Approach

The SGX sustainability reporting requirements recognise that sustainability reporting is a journey – a typical 3 year report development journey includes:

Primary Components	Year 1 Sustainability Chapter	Year 2 Sustainability Chapter	Year 3 Sustainability Report
Material ESG Factors	Addressed most critical factors	Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material	Reviewed factor assessment and added factors which have become material and removed existing factors which are no longer material
Policies, practices and performance	<ul style="list-style-type: none"> Minimal description of how issuer manages material factors No previous targets for comparison of performance One metric per factor Plans for improved reporting in future 	<ul style="list-style-type: none"> Description includes specific policies, practices per material factor Quantitative metrics and qualitative description per factor Comparison against previously disclosed qualitative commitments and targets 	<ul style="list-style-type: none"> More description includes specific policies, practices per material factor More qualitative and quantitative description per factor Comparison against previously disclosed targets and commitments with explanation of overachievement and shortfall
Targets	Qualitative commitments if no quantitative targets	Short and long term qualitative targets and some quantitative targets	<ul style="list-style-type: none"> Short and long term qualitative and quantitative targets Include peer/sector benchmarks
Sustainability Reporting Framework	GRI Standards: Core Option	GRI Standards: Core Option	GRI Standards: Core Option
Board Statement	Complied	Complied	Complied

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*Source: Deloitte

SGX Guide 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.

1.4 Decide report mode, reporting framework and the scoping

1.4.1 Decide report mode

Decide if your organisation will prepare a standalone Sustainability Report or whether the sustainability-related information will be embedded within other reports (i.e. Annual Report).

PHASE 1: Planning Stage

1.4.2 Select an appropriate Sustainability Reporting framework (or frameworks)

SGX Guide 4.1 on 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).

SGX Guide 3.6 - Global standards and comparability

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.

PHASE 1: Planning Stage

Range of Sustainability Reporting guidelines

	Global Reporting Initiative (GRI)	Sustainability Accounting Standards Board (SASB)	International Integrated Reporting Council (IIRC)
Principle- based/ Prescriptive	Prescriptive	Prescriptive	Principles-based
Sector	All	9 broad sectors ¹	All
Different levels of compliance	Reference to, Core and Comprehensive	No	No
Reporting Focus	Materiality based – Select from provided list	Materiality based – List of industry level sustainability issues	6 capitals
Guided performance measures	Yes (material issues and KPIs)	Yes (material issues and KPIs)	No
Aligned to SGX requirements?	Very closely	To some extent	To some extent

1. Healthcare, Financials, Technology & Communications, Non-renewable resources, Transportation, Service, Resource transformation, Consumption, Renewable resources, Infrastructure

**Source: KPMG*

SGX Guide 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.

SGX Guide 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.

PHASE 1: Planning Stage

SGX Guide 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.

1.4.3 Determine report scoping

With regard to the scoping of Sustainability Reporting, the reporting organisation needs to identify its stakeholders, and learn about their expectations and interests so as to make a well-informed decision.

SGX Guide 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.

Frequently Asked Questions

Q1-1. Is Sustainability Reporting the CFO's responsibility?

With strong consumer advocacy on corporate responsibility and investors demanding that organisations fulfil their obligations in a responsible and sustainable manner, CFOs who choose to embrace the new role of driver of Sustainability Reporting would take on a more strategic role in their organisations. The Sustainability Reporting process, being a strategic and cross functional process allows the CFOs to move beyond traditional financial stewardship to delve into aspects of risk and operational management that will have strategic and eventually bottom-line impact to the business.

In other words, as there is a strong relationship between sustainability and financial performance, CFOs are in a strategic position to drive the financial performance and to be involved in the management, measurement and reporting of their organisations' sustainability activities.

PHASE 1: Planning Stage

Q1-2. What are the key challenges to CFOs in Sustainability Reporting implementation?

(a) Determining the materiality of Sustainability Reporting

CFOs may find it challenging to identify the material ESG factors of their organisations. As Sustainability Reporting continues to evolve, CFOs need to carefully consider what non-financial information is material to their stakeholders and to develop robust processes and controls to generate high-quality data.

(b) Underestimation of the effort required to prepare a Sustainability Report

As Sustainability Reporting requires various elements to be included for it to be meaningful, much thought and effort is required, followed with the piecing together of these various elements. Senior management may not understand this and therefore, may expect CFOs to develop the Sustainability Report overnight.

(c) Evolving beyond the finance function

To be truly successful, CFOs must evolve beyond the finance function to identify value across the broader enterprise, providing insights to help the rest of the organisation improve performance and manage risk.

With a wealth of data, the CFOs are expected to see the bigger picture, be able to improve forecasts and pave a clearer path to value by connecting the organisation's financial performance to its social and environmental impact.

Q1-3. Does it take a lot of resources to develop a Sustainability Report?

A Sustainability Report requires the communication and disclosure of an organisation's sustainability practices, risks and opportunities. This entails the coordination of various departments for the collation of the required information and data. An organisation embarking on this sustainability journey for the first time would probably incur some upfront investments in time and resources.

Q1-4. Which department in the company should be responsible for Sustainability Reporting?

The information and data required comes from across the organisation, involving various departments, levels of personnel and the Board. A useful way of getting started would be to set up a cross-functional team (Sustainability Reporting Taskforce) comprising representatives from across relevant departments or functions.

Having a senior person in the organisation championing the sustainability agenda demonstrates genuine commitment from the organisation's leadership. These senior persons can either be members of the Board, the CEO, a member of senior management or in some cases an appointed Chief Sustainability Officer.

PHASE 1: Planning Stage

Whether sustainability matters are decided collectively or delegated to a senior person, it is important that senior leadership recognises its strategic role in ensuring ESG impacts are mitigated across the organisation's supply chain.

Q1-5. How does one raise the awareness of sustainability in an organisation?

The following are considerations for organisations seeking to make sustainability a higher priority at the executive level:

- Involve leadership, i.e., tone from the top
- Include sustainability in the corporate strategy
- Create awareness sessions on sustainability
- Engage internal and external stakeholders
- Identify sustainability risks and opportunities
- Set goals and monitor performance
- Communicate progress and encourage improvements

Q1-6. How important is the Board's involvement in the Sustainability Reporting process?

It is critical for the Board to play an active role in the Sustainability Reporting process as:

- sustainability risks and opportunities have a direct bearing on an organisation's strategies and operations; and
- additional credence would be provided as the organisations would communicate to stakeholders that the organisation views sustainability practices seriously.

Accordingly, the Board will need to:

- ensure that the Sustainability Report (for companies reporting under the SGX rules) contains a statement of the Board as having considered sustainability issues in its strategic formulation, determined the material ESG factors and overseen the management and monitoring of the material ESG factors;
- check that the company has complied with the SGX Sustainability Reporting Requirements;
- consider if the company's vision for its Sustainability Reporting aligns with its business vision and strategy;
- verify that sustainability governance is fully integrated into existing governance structures;
- put in place robust reporting lines to ensure effective management and monitoring of ESG risks and opportunities;
- appreciate that Sustainability Reporting is not a "rubber stamping" exercise; and
- ensure that there is proper governance structure and control in place over the entire Sustainability Reporting process (i.e. asking the right questions).

PHASE 1: Planning Stage

Q1-7. What frameworks can companies use to develop the Sustainability Report?

Companies should first make reference to the SGX Guide and to global frameworks (for example GRI), and industry practice subsequently.

Q1-8. How important is it to select internationally recognised Sustainability Reporting frameworks?

Companies need 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 both in terms of listed companies as well as investors. Companies should take care that their disclosure efforts are not to be considered inadequate by stakeholders.

Q1-9. What is the scope of coverage required for a Sustainability Report and should associates be included in the report?

Companies need to assess the scope of coverage required for Sustainability Reporting and to decide whether to include associates in the Sustainability Report.

In the event that a company deems the associate as significant, the company may face practical problems as the company may have no or limited control over the associate. The key principle is being transparent and to highlight in the Sustainability Report that the company has no control over its associate.

PHASE 2: Materiality Assessment

2.1 Conduct internal/external stakeholder engagement

Stakeholder engagement is integral to any business and should be conducted on a regular basis. 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 expected outcome of an organisation's stakeholder engagement is a list of sustainability topics that stakeholders consider important.

Prioritise the importance of each stakeholder by asking how much does that stakeholder:

- (a) Influence the company?
- (b) Rely on the company?

SGX Guide 3.7 – Stakeholder engagement

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.

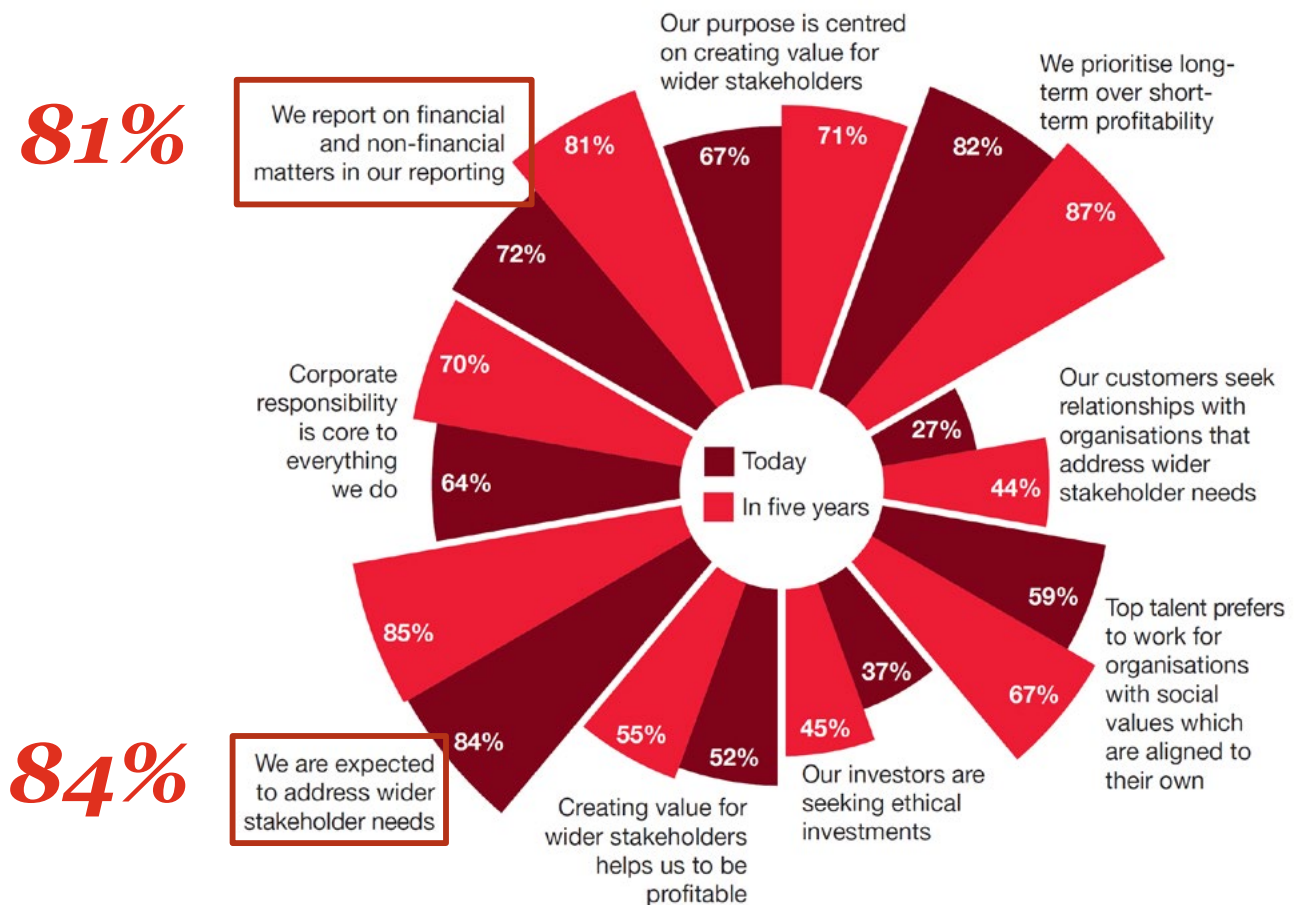
Interaction of the issuer with its other stakeholders is also of interest to investors for its relevance to sustainability across the value chain of the issuer. The views of stakeholders also contribute to inform the issuer's identification of material ESG factors.

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.

SGX Guide 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.

PHASE 2: Materiality Assessment

CEOs recognise the need to focus on wider stakeholder needs



Source: PwC 19th Annual Global CEO Survey

*Source: PwC

PHASE 2: Materiality Assessment

Example - Stakeholder Engagement

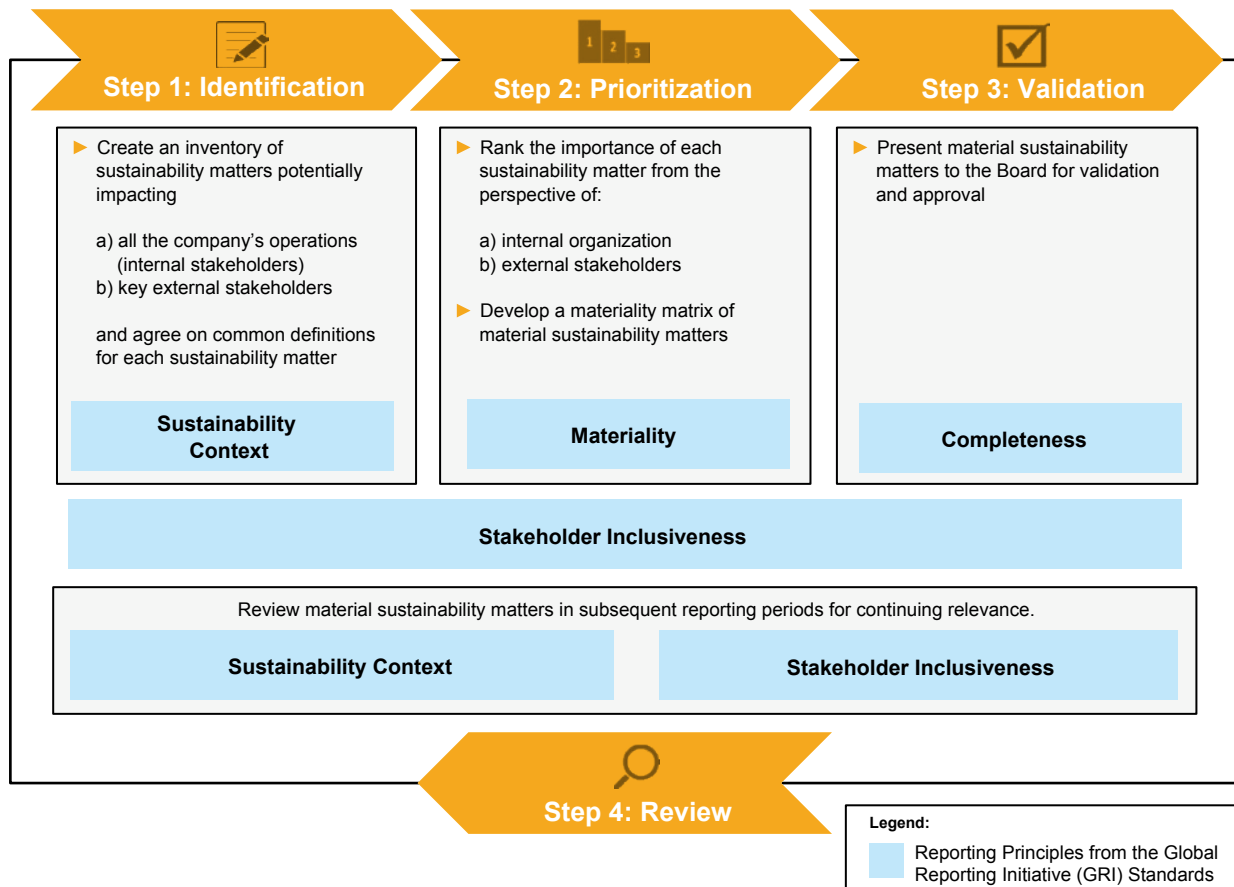
Stakeholders	Mode of Engagement	Frequency of Engagement	Stakeholder Concerns / Sustainability Issues
Shareholders & Investors - Institutional investors, analysts, retail shareholders	Annual General Meeting (AGM) Quarterly Briefing Special General Meeting Analyst Meeting Investor Roadshow	Annual Quarterly As needed As needed As needed	1. Higher financial return 2. Industry conditions 3. Market Presence
Government - National and local government authorities, regulators	Meetings Electronics communications	Quarterly As needed	1. Occupational health & safety 2. Environmental issues (loss of biodiversity, etc.) 3. Social issues (foreign workers, existing local communities)
Customers	Customer Feedback Management (survey, face-to-face meetings, social media, campaigns, also communicate through office tenant managers and office building management committee meetings)	As needed	1. Customer privacy 2. Customer safety
Employees	Appraisals Employee feedback survey	Annual Annual	1. Occupational Health & Safety 2. Diversity & Equal Opportunity 3. Employment 4. Training & Education

*Source: Deloitte

PHASE 2: Materiality Assessment

2.2 Conduct materiality assessment - Identify material ESG factors

Materiality determination Process



*Source: EY

2.2.1 Identify material ESG factors

Identify the material ESG factors based on the list of sustainability issues that stakeholders consider important, and describe both the reasons for and the process of selection.

SGX Guide 3.3 - Report risks as well as opportunities

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.

PHASE 2: Materiality Assessment

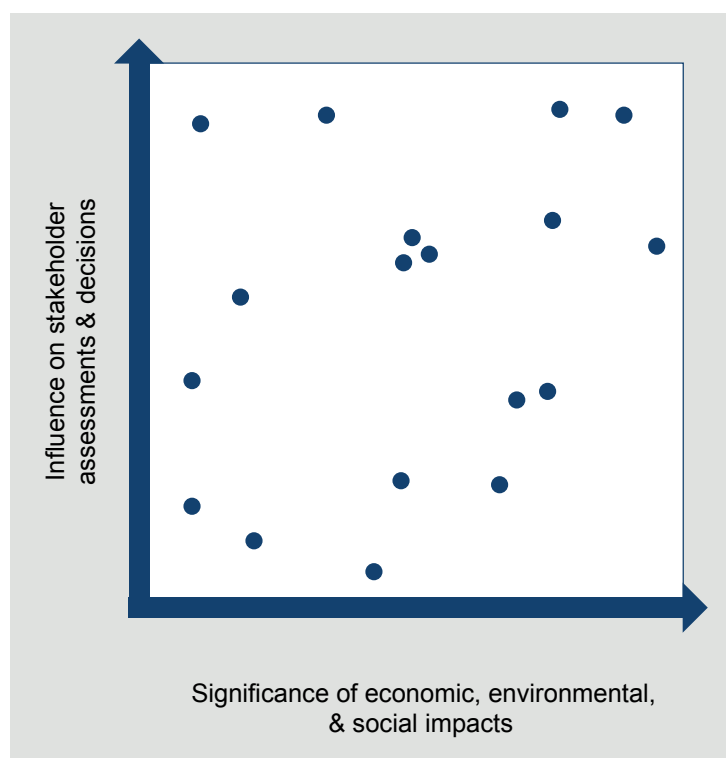
2.2.2 Prioritise material ESG factors

Focusing on the “critical few” material factors, versus the “important many” will aid you in prioritising the critical sustainability factors to report.

You should consider whether the identified material ESG factors would enable the organisation to develop a report that provides a reasonable and balanced representation of the organisation’s sustainability performance and impacts.

SGX Guide paragraphs 4.12 to 4.14 provide a possible process for assessing ESG factors with material relevance to the business and business model.

Below is a GRI’s visual representation of prioritisation of factors.



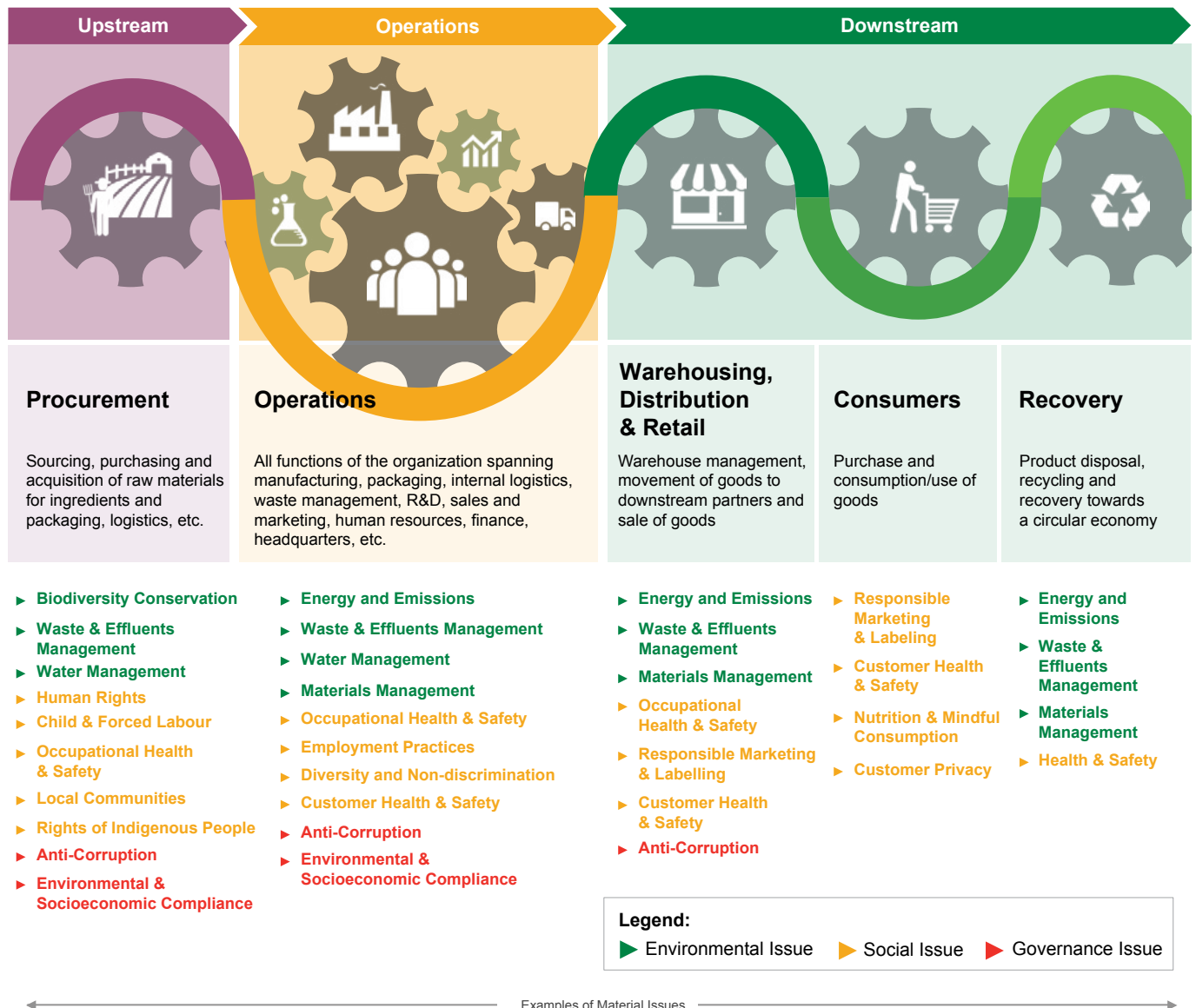
**Source: GRI*

SGX Guide 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.

PHASE 2: Materiality Assessment

2.2.3 Linking material sustainability issues to your business

Illustrative Example: Value chain & material issues identified for a food & beverage sector organisation



*Source: EY

PHASE 2: Materiality Assessment

2.3 Seek Board/Senior Management concurrence on material factors

The Board/Senior Management should determine and concur on the material ESG factors.

SGX Guide 4.1(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.

Frequently Asked Questions

Q2-1. Which stakeholders should the company engage in the materiality process?

Define stakeholders – individuals/groups who affect, or are affected by, the company's activities along the value chain (clients, employees, board of directors, investors, suppliers, strategic partners, regulators, unions, government, community, etc.)

Identify, categorise and prioritise stakeholders based on their relationship to the company (direct/indirect influence and internal/external relationship). Consider using a scoring system for a robust process.

Level of engagement depends on the company's Sustainability Reporting maturity (acceptable to engage internal stakeholders and internal proxies when beginning the reporting journey and engage external stakeholders only once processes are more established).

Q2-2. How do companies engage with their stakeholders?

In the day-to-day business and operational activities of the companies, there would be various interactions with stakeholders such as suppliers and customers. For a hotel, information from surveys of customers' satisfaction would have been obtained and analysed as part of the operational procedures to improve their service level. All these form part of the engagement with stakeholders. Below are some practical ways companies can use to engage their stakeholders.

- **Online Surveys** (Pros – Quick and easy to send out to many people; Cons – Short & non-targeted response)
- **Workshops** (Pros – Build rapport with stakeholders & get all opinions at once; Cons – Difficult to get all targets together at once)
- **Focus Groups** (Pros – Detailed opinions and responses; Cons – Lots of qualitative response that can be difficult to collate)
- **One-on-one interviews** (Pros – Detailed opinion, Able to ask targeted questions; Cons – Time Consuming)
- **Informal dialogues** (Pros – Likely to happen in daily operations and interactions with stakeholders; Cons – Risk of lack of focus in discussion and incomplete picture)

PHASE 2: Materiality Assessment

Q2-3. Do companies need to engage with external stakeholders to determine material ESG factors?

While this is not a requirement as per the SGX guidelines, it is highly recommended. Sustainability Report is a tool to communicate with stakeholders (e.g. investors) and engaging external stakeholders is one way to assess whether companies are on the right track in their selection of ESG factors.

Q2-4. Can companies cherry-pick what to report on?

Sustainability Reporting is primarily about reporting only on what's important to the business of the company. However, it is not recommended that companies pick and choose topics without any basis.

A quality Sustainability Report covers all material factors that are important to a company and conducting a materiality assessment is important in helping identify key factors that should be reported on. From the key factors identified, companies can then decide how best to address these sustainability issues.

Q2-5. How frequently should a company conduct/review its material Sustainability Reporting factors through the materiality assessment process?

Companies should review their material Sustainability Reporting factors when there is a change of business model. If there is no change in the business model, companies should review their Sustainability Reporting factors from time to time and a good practice is to review this annually. Companies should also review their Sustainability Reporting factors or matters when reviewing their Enterprise Risk Management.

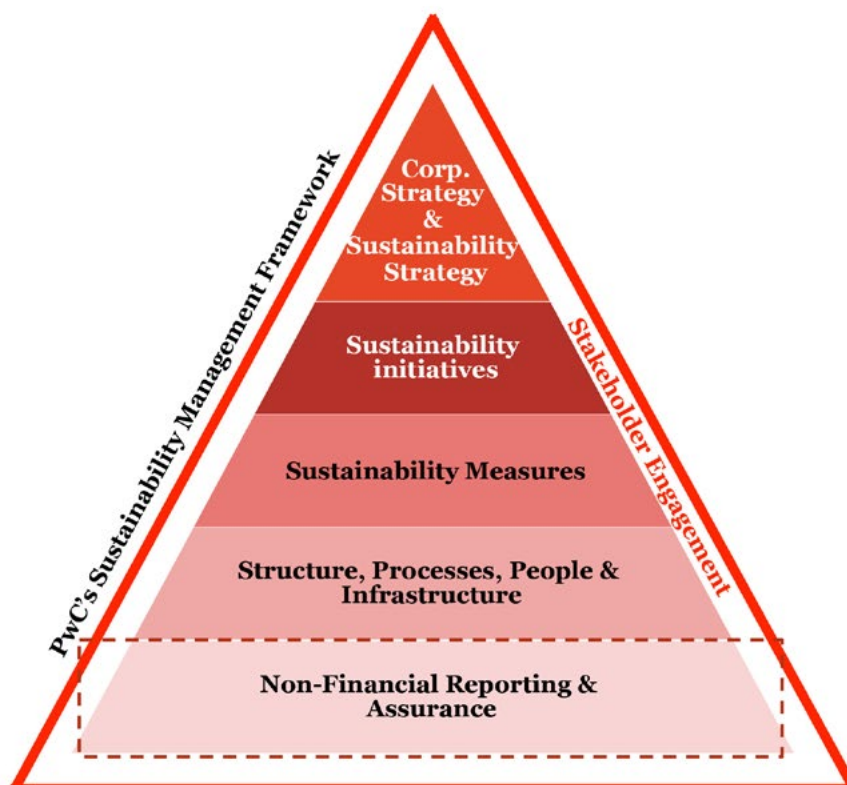
PHASE 3: Setting Targets

3.1 Develop policies, practices and performance measurements in relation to each material ESG factor

Prioritising sustainability into long term business strategy requires change management throughout an organisation. Good sustainability business practices which are aligned to the organisation's strategies and embedded into the organisation's operations would likely bring significant strategic value and benefits to the organisation's business and long term value.

In achieving good sustainability business practices, it is important that companies formalise their sustainability policies and implement them across the organisation. Performance measures refer to how the sustainability practices of each material ESG factor is to be measured in terms of their performance.

Sustainability reporting is an integral part of a robust sustainability management framework and strategy



PwC

*Source: PwC

PHASE 3: Setting Targets

SGX Guide 4.1(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.

SGX Guide 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.

Below are some examples of policies, practices and performance per material factor:

Policies, practices and performance per material factor - examples

Material factor	Policy	Examples of practices	Examples of performance
Workplace health and safety	Health and safety policy	<ul style="list-style-type: none"> Compliance with OHSAS 18001 standard Regular workplace health and safety trainings Free employee health screenings 	<ul style="list-style-type: none"> Workplace Injury Rate declined by 3% this year There were zero fatalities at our facilities
Environment	Environmental policy	<ul style="list-style-type: none"> Upgrade to LED lighting at office premises Conduct energy audits at plants to understand energy saving options 	<ul style="list-style-type: none"> Energy intensity declined by 5% in FY 2017 Total GHG emissions reduced by 2% in FY 2017
Supply Chain management	Vendor/Supplier Code of Conduct which defines ESG considerations in selecting vendors	<ul style="list-style-type: none"> All suppliers sign the supplier code of conduct Screening of new suppliers on ESG factors through self-declaration questionnaire Company conducts audits of selected suppliers 	<ul style="list-style-type: none"> For FY 2017, all our suppliers have signed our vendor code of conduct All new suppliers were screened for ESG issues Conducted audits for 2 key suppliers

PwC

*Source: PwC

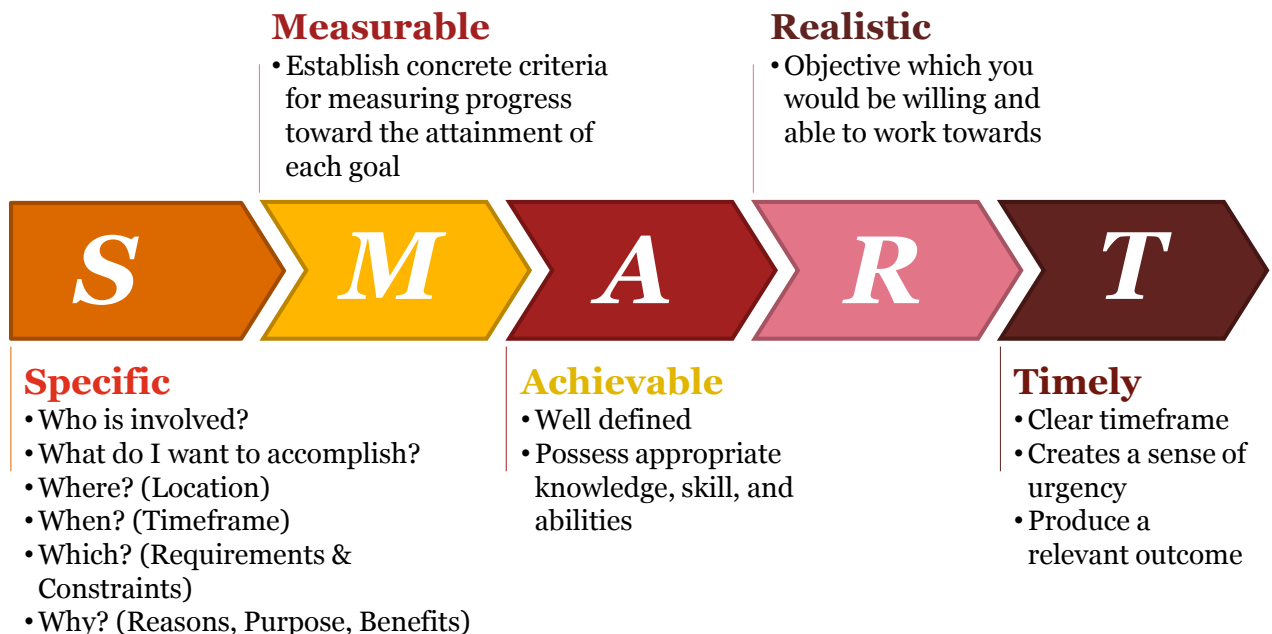
PHASE 3: Setting Targets

3.2 Establish short and long term targets in relation to each material ESG factor

The Sustainability Report should set out the organisation's targets for the forthcoming Sustainability Reports in relation to each material ESG factor identified. Targets can be exact quantities or can be change processes. Targets can include implementing new systems of measurement, or improving procedures and policies, among other possibilities.

One way of setting targets is to set and articulate the following clear mandatory and voluntary 'SMART' targets with expected results (quantitative and qualitative) and timeline.

Each goal and metric should have "SMART" targets



*Source: PwC

PHASE 3: Setting Targets

Targets can be about your organisation's performance on its material ESG factors. They can also be about improving (or introducing new) procedures and systems. You should report on your targets even if your organisation has not achieved the expected performance.

SGX Guide 3.5 - Performance Measurement System

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.

SGX Guide 4.1(iii) Targets. The sustainability report should set out the issuer's targets for the forthcoming year in relation to each material ESG factor identified.

Frequently Asked Questions

Q3-1. What are the key considerations for target setting in a company's ESG performance?

Companies should focus on implementing robust Sustainability Reporting processes and setting targets based on material Sustainability Reporting factors.

Sustainability Reporting should be integrated into company's business process and therefore, Sustainability Reporting targets set by a company should be aligned with its internal KPIs to avoid inconsistencies.

PHASE 4: Data Collection

4.1 • Develop a system for performance data and information collection

- Set up an internal system for review and control of data and information collected

Most companies already have a lot of data, but they may not be easily located or in the right format required for Sustainability Reporting. As such, you could perform the following to help in mining required data and easing the collection process:

- incorporating data templates (such as creating a Microsoft Excel template) where data owners can input the required data in the right format; and
- conducting operational workshops (i.e. providing basic training to the data owners from across the business).

The following is an illustration of the data collection process:

Data Collection Process

The process and various considerations are outlined:

Step	Considerations	Time taken
1. Identify data needed to fulfill disclosures	Select the relevant indicator (if core) for each material aspect and review data needed to disclose	1 – 2 days
2. Identify where to get the data	For each piece of data needed, determine: <ul style="list-style-type: none"> • Who the data owners are • Where the data owners are • Who should review that data 	1 day – 2 weeks depending on base knowledge and size of company
3. Identify and develop data collection method	<ul style="list-style-type: none"> • Method should allow for accurate, efficient and uniform data collection across the company • Data collection method used depends on: <ul style="list-style-type: none"> – Size of company – Geographical reach of company – Complexity of data needed 	1 – 4 weeks
4. Collect the data	Ensure data owners and reviewers understand how the data should be collected and recorded	2 – 12 months depending on readiness
5. Collate and review data	Assign a data manager to each material factor to collate and check all the data for accuracy and completeness	2- 4 weeks depending on maturity of data process

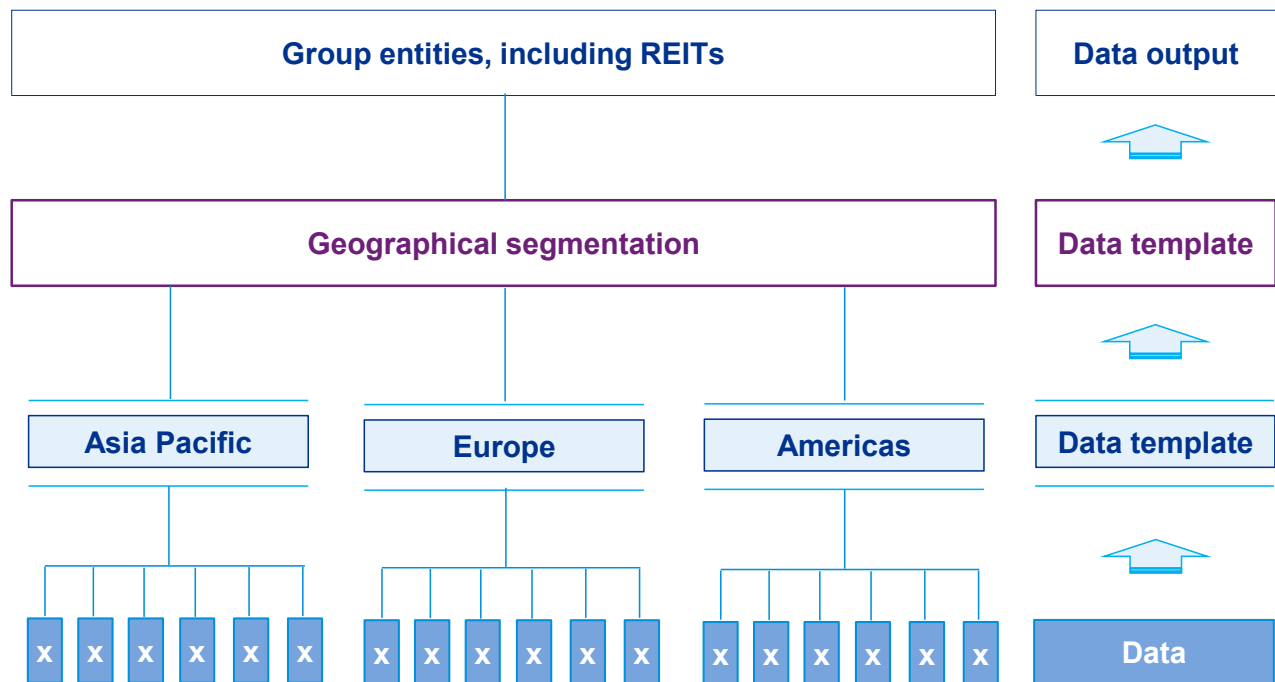


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*Source: KPMG

PHASE 4: Data Collection

Data Collection Process



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Frequently Asked Questions

Q4-1. How do companies decide what data to collect?

Prior to deciding what data to collect, companies first need to understand the material ESG risks and opportunities driving their Sustainability Reports. A robust materiality assessment of the sustainability risk and opportunities would spotlight areas within ESG factors requiring data to be collected for the monitoring of sustainability risks and performances.

Another important factor to consider is cost versus benefit of the data collected for monitoring of the sustainability risks and opportunities.

Most companies already do have a lot of data, but the data may not be easily located or in the right format required for Sustainability Reporting. Getting the data can be as simple as creating a Microsoft Excel template where data owners can input the required data in the right format. Basic training for data owners from across the business can also help in locating required data and easing the collection process.

PHASE 4: Data Collection

Q4-2. What if data for some of the material factors are unavailable or unreliable?

Both SGX and GRI allow flexibility in disclosures of performance data. In cases where data for some of the material factors are unavailable or unreliable, the company should explain the reason why and how the company will make improvements in expanding the breadth and depth of performance data disclosures.

In order to facilitate the data collection process, the company should consider developing a standardised data procedure and template for all entities to use, with customisation at some entity levels if necessary. Training on data collection procedures and templates should be provided to data managers and owners across geographies and operations.

However, it is unlikely for data pertaining to material factors to be unavailable or unreliable.

Q4-3. The Group has multiple subsidiaries and operations overseas, how can the Group ensure consistency in data collection?

The reporting process of subsidiaries and associates should be similar to the financial reporting process. The Group should follow the company's Sustainability Reporting data collecting process as stated in Q4-1.

It is definitely not easy when the Group has multiple operations in various countries. However, consistency in data can be achieved if initial effort is expended to develop standard data templates for use across operations. Some suggestions include:

i. A user-friendly template

A user-friendly template that has formulas embedded in it will help reduce human error in calculations. The template can also be supplemented with user instructions and standard definitions.

ii. A data collection system

If the Group has the resources, developing a data collection system that can be accessed online or through the Group's intranet would help ease the process.

iii. Use of standard reporting guidelines

Use of standard reporting guidelines like GRI can help standardise processes and data collection because GRI has quite specific data requirements.

PHASE 5: Report

5.1 Draft Sustainability Report and Board statement in line with the SGX requirements and a global reporting framework

Because different organisations have unique cultures, there is no single correct report structure. Before launching the final report, it should be reviewed internally for accuracy, positioning, balance, tone and other characteristics. The Board/Senior management will need to give final approval.

The organisation needs to give priority to using globally-recognised frameworks (such as GRI) and disclosure practices to guide its reporting.

Decide if your organisation will compile a standalone Sustainability Report or whether the sustainability-related information is embedded within other reports (i.e. Annual Report).

SGX Guide 3.1 – Board responsibility

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.

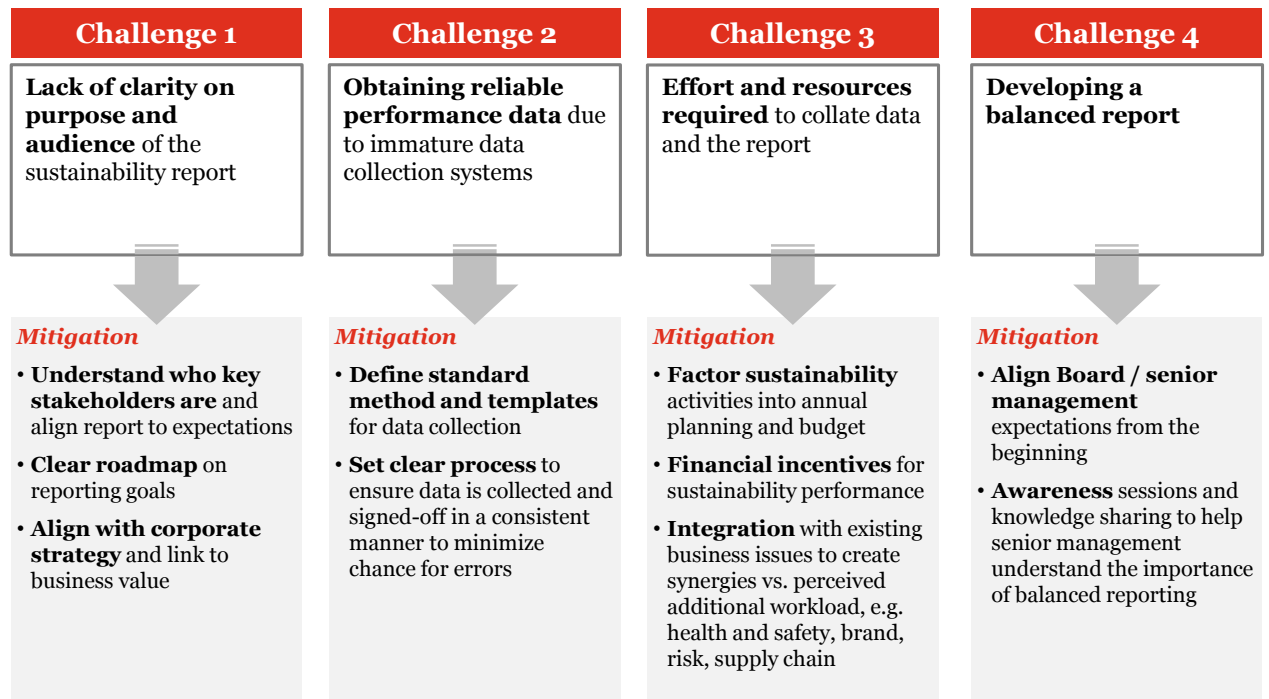
Consistent with its role, the Board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed.

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.

SGX Guide 4.1(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.

Common challenges in sustainability reporting



*Source: PwC

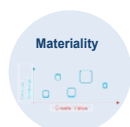
PHASE 5: Report

5.1.1 How to comply with SGX

Applies to ALL listed companies, including REITs

All **primary components** must be disclosed in an annual or stand-alone sustainability report or an explanation is needed. **Principles** assist in guiding the reporter through the process.

Primary components



A. Identify ESG factors that are material to the business



B. Set out policies in relation to material ESG issues identified



C. Set performance targets for each material ESG factor for forthcoming year



D. Select a globally-recognised framework to report on ESG matters



E. Board has ultimate responsibility over the sustainability process and report

Sustainability Report



Principles

- Stakeholders to verify the identified material factors
- Measure risks & opportunities with bearing on strategy & operations
- Performance should be measured in the context of ESG targets
- Provide an accurate and balanced view without undue bias
- Assurance is recommended and provides board with comfort to make its statement on compliance



*Source: KPMG

PHASE 5: Report

5.1.2 GRI's principles for defining report quality

GRI's Reporting Principles for defining report quality

- **Accuracy**
The reported information shall be sufficiently accurate and detailed for stakeholders to assess the reporting organization's performance.
- **Balance**
The reported information shall reflect positive and negative aspects of the reporting organization's performance to enable a reasoned assessment of overall performance.
- **Clarity**
The reporting organization shall make information available in a manner that is understandable and accessible to stakeholders using that information.
- **Comparability**
The reporting organization shall select, compile, and report information consistently. The reported information shall be presented in a manner that enables stakeholders to analyze changes in the organization's performance over time, and that could support analysis relative to other organizations.
- **Reliability**
The reporting organization shall gather, record, compile, analyze, and report information and processes used in the preparation of the report in a way that they can be subject to examination, and that establishes the quality and materiality of the information.
- **Timeliness**
The reporting organization shall report on a regular schedule so that information is available in time for stakeholders to make informed decisions.

**Source: GRI*

PHASE 5: Report

5.1.3 How GRI and SGX align?

	Reporting component	SGX fulfilled by GRI?	What is the Gap?
Primary components	Materiality	✓	No gap
	Policies, practices and performance	✓	GRI's Disclosures on Management Approach (DMA) cover SGX requirements
	Targets	✗	Targets are touched on but not in detail.
	Reporting framework	NA	GRI do not require an explanation of why the framework was chosen
	Board statement	✗	Statement from the board needed, GRI requires a statement from the senior decision maker only
Principles and other disclosures	Stakeholder engagement	✓	No gaps
	Comply or explain	✓	No gaps
	Risks & opportunities	✓	No gaps
	Performance measurement system	✓	No gaps
	Balanced reporting	✓	No gaps
	Independent assurance	✓	No gaps
	Frequency of reporting	✗	SGX requires annual reporting within 5 months of the end of the financial year, GRI do not specify
	Phased approach	✓	GRI do not specify a phased approach, however, they do allow for improvements in depth as companies mature



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*Source: KPMG

PHASE 5: Report

Frequently Asked Questions

Q5-1. How long should a good Sustainability Report be?

Companies need to develop a Sustainability Report that is informative and understandable.

It is not the length but the conciseness of the report that matters. On the other hand, explanations should be of adequate depth, accuracy and relevance to communicate to stakeholders the organisation's commitment to sustainability practices. It must clearly communicate how an organisation's business is conducted and the sustainability of the current business into the future.

Having excessive data and information on issues that are not material would actually detract the reader from focusing on key issues faced with regards to ESG factors.

Q5-2. What are the key challenges to consider when preparing a Sustainability Report?

- i. Balanced and transparent reporting
 - The report should not only contain the successes and achievements of the reporting organisation, but should faithfully report any under-performance or targets not met, with explanations
 - Using the report solely as a public relations tool is not recommended, since stakeholders who rely on sustainability information to make investment decisions are sophisticated enough to view excessive promotional claims with scepticism
 - Stakeholders appreciate management honesty about sustainability goals, performance and steps planned to prevent/mitigate negative events from happening in the future
- ii. Non boilerplate descriptions
 - Descriptions should not be perfunctory or boilerplate, but seek to illuminate the subject disclosed
 - Descriptions of Board and management participation in sustainability governance should give a sense of when and how the Board is involved in decision making and what sorts of decisions the Board makes
 - The report should also reflect the perception and thinking of the company, taking into account the feedback of stakeholders on material issues. It should be more than a list of factors and metrics

PHASE 5: Report

iii. Connections between sustainability and business

- Understanding how environmental and social factors impact an organisation's business is key to setting goals, measure performance, and manage change
- This in turn provides clarity on risks and opportunities; and focuses attention on management of these risks and opportunities for future returns
- A report which adequately communicates and articulates how sustainability factors impact its business and the related sustainability risks and opportunities would enable a better assessment of the organisation's prospects and quality of management

Q5-3. Do companies need to print Sustainability Reports for distribution to shareholders?

SGX is flexible and allows companies to either publish their reports online or print hard copies. Companies are given up to 12 months from the financial year ending 31 December 2017 to issue their first Sustainability Reports, instead of five months, if companies decide to prepare the Sustainability Reports separately independent of the Annual Report.

Q5-4. Could you provide examples of well drafted Sustainability Reports?

Please refer to the following for the links of the Sustainability Reports of the top 10 constituents of SGX Sustainability Leaders Index as at 27 June 2017. These reports could serve as a good starting point in the preparation of an entity's Sustainability Report. It is imperative for an issuer to understand that the entity's Sustainability Report should be relevant to its industry, business, strategy, business model and key stakeholders.

- Singapore Telecommunications Limited
- Hongkong Land Holdings Limited
- CapitaLand Limited
- Keppel Corporation Limited
- Singapore Press Holdings Limited
- Singapore Exchange Limited
- Wilmar International Limited
- Singapore Airlines Limited
- Ascendas Real Estate Investment Trust
- Genting Singapore PLC

PHASE 5: Report

Q5-5. Are there areas I can seek help for industry specific Sustainability Reporting?

GRI provides specific industry guidance. The following industry disclosures are available in GRI:

- Airport Operators
- Food Processing
- Construction and Real Estate
- Media
- Electric Utilities
- Mining and Metals
- Event Organisers
- Non-governmental organisation (NGO)
- Financial Services
- Oil and Gas

SASB also provides industry-specific Sustainability Reporting such as:

- (a) **Health Care Industries:**
Biotechnology; Pharmaceuticals; Medical Equipment & Supplies; Health Care Delivery; Health Care Distributors; Managed Care
- (b) **Financials Industries:**
Commercial Banks; Investment Banking & Brokerage; Asset Management & Custody Activities; Consumer Finance; Mortgage Finance; Security & Commodity Exchanges; Insurance
- (c) **Technology & Communication Industries:**
Electronic Manufacturing Services & Original Design Manufacturing; Software & IT Services; Hardware; Semiconductors; Telecommunications; Internet Media & Services
- (d) **Non-Renewable Resources Industries:**
Oil & Gas – Exploration & Production; Oil & Gas – Midstream; Oil & Gas – Refining & Marketing; Oil & Gas – Services; Coal Operations; Iron & Steel Producers; Metals & Mining; Construction Materials
- (e) **Transportation Industries:**
Automobiles; Auto Parts; Car Rental & Leasing; Airlines; Air Freight & Logistics; Marine Transportation; Rail Transportation; Road Transportation
- (f) **Services Industries:**
Education; Professional Services; Hotels & Lodging; Casinos & Gaming; Restaurants; Leisure Facilities; Cruise Lines; Advertising & Marketing; Media Production & Distribution; Cable & Satellite
- (g) **Resource Transformation Industries:**
Chemicals; Aerospace & Defense; Electrical & Electronic Equipment; Industrial Machinery & Goods; Containers & Packaging

PHASE 5: Report

- (h) **Consumption I Industries:**
Agricultural Products; Meat, Poultry & Dairy; Processed Foods; Non-Alcoholic Beverages; Alcoholic Beverages; Tobacco; Household & Personal Products
- (i) **Consumption II Industries:**
Multiline and Specialty Retailers & Distributors; Food Retailers & Distributors; Drug Retailers & Convenience Stores; E-Commerce; Apparel, Accessories & Footwear; Building Products & Furnishings; Appliance Manufacturing; Toys & Sporting Goods
- (j) **Renewable Resources & Alternative Energy Industries:**
Biofuels; Solar Energy; Wind Energy; Fuel Cells & Industrial Batteries; Forestry & Logging; Pulp & Paper Products
- (k) **Infrastructure Industries:**
Electric Utilities; Gas Utilities; Water Utilities; Waste Management; Engineering & Construction Services; Home Builders; Real Estate Owners, Developers & Investment Trusts; Real Estate Services

PHASE 6: Assurance

6.1 Consider obtaining independent external assurance

Consider engaging external assurance by independent professional bodies to add credibility to the information disclosed and analysis undertaken.

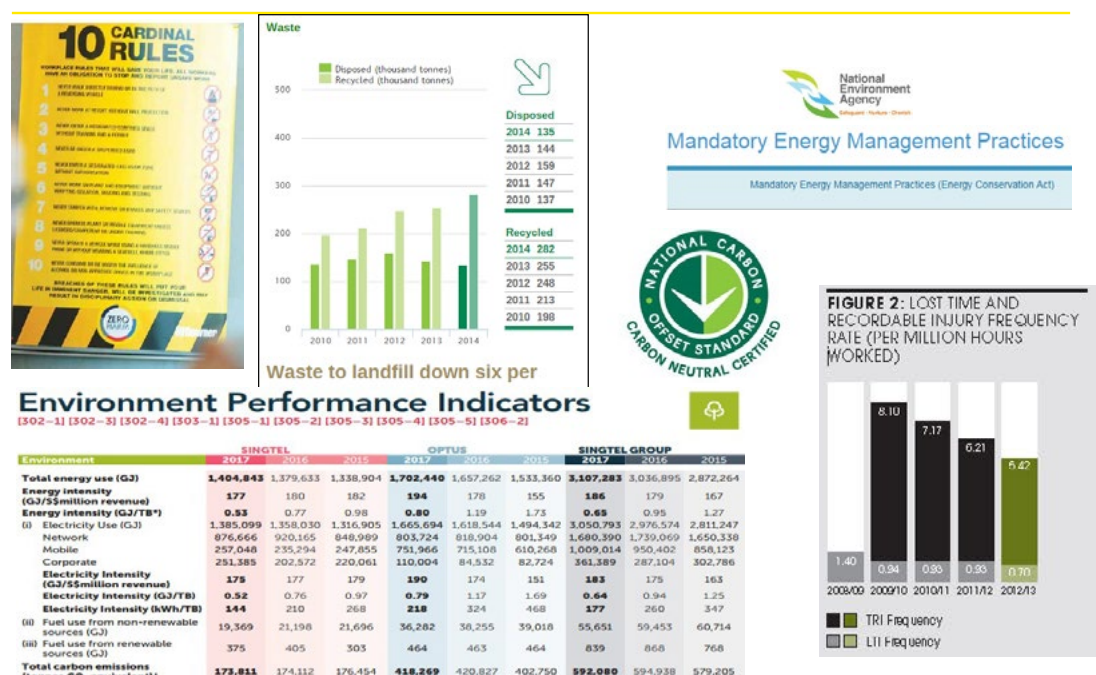
SGX Guide 3.8 - Independent assurance

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.

An organisation new to Sustainability Reporting may wish to start with internal assurance or external pre-assurance before progressing to external assurance for its benefits.

The organisation should also consider whether it would be worthwhile to undertake independent external assurance on selected important aspects (e.g. ways to identify sustainability issues and policy and practices) of its report even in its initial years, expanding coverage in succeeding years.

What can be assured?



*Source: EY

PHASE 6: Assurance

Currently, the more commonly used international standards for assuring Sustainability Reports are (i) ISAE 3000 *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* (ISAE 3000) and (ii) AA1000 *Assurance Standard* (AA1000 AS). Singapore's equivalent standard of ISAE 3000 is the Singapore Standard on Assurance Engagements (SSAE) 3000. The key features of both SSAE 3000³ and AA1000 AS are as follows:

	SSAE 3000	AA1000 AS
Issuer	Institute of Singapore Chartered Accountants	AccountAbility
Focus	Comprehensive procedures for evidence gathering processes and independence of the assurance provider	Whether the organisation and its Sustainability Reporting respond to stakeholder concerns
Framework	Framework for Assurance Engagements ⁴	-
Types of assurance	Reasonable or limited assurance	High or moderate assurance
Assurance report issued by	Public Accountant ⁵	Licensed AA1000 AS assurance providers ⁶

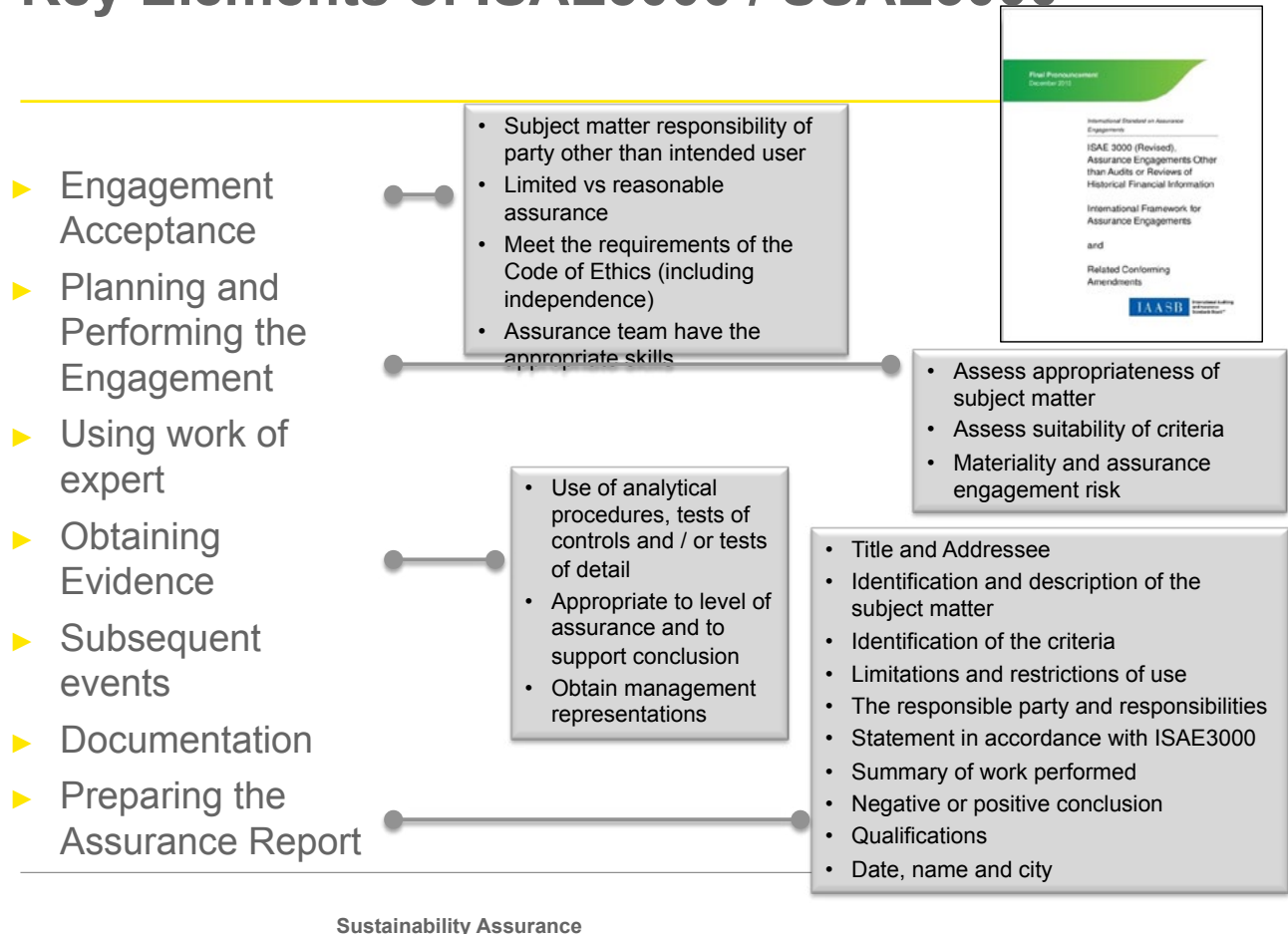
³ SSAE 3000 is based on ISAE 3000, which is developed by the International Auditing and Assurance Board (IAASB), an independent standard-setting board of the International Federation of Accountants (IFAC).

⁴ The Framework for Assurance Engagements is based on the International Framework for Assurance Engagements and is developed by the IAASB, an independent standard-setting board of the IFAC.

⁵ A public accountant is a person who is registered or deemed to be registered in accordance with the Accountants Act (Chapter 2) as a public accountant. The public accountant is subject to the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) related to assurance engagements.

⁶ <http://www.accountability.org/standards/licensing/licensing-overview/>

Key Elements of ISAE3000 / SSAE3000



*Source: EY

Frequently Asked Questions

Q6-1. What is “independent assurance” on Sustainability Reports?

“Independent assurance” on Sustainability Reports may be described as the provision of an independent opinion by an expert (such as a practitioner) on information contained in Sustainability Reports, after measuring or evaluating that information against certain criteria.

Q6-2. Is independent assurance on Sustainability Reports mandatory?

No, listed entities are not required under SGX listing rules to obtain independent assurance on Sustainability Reports. However, they are encouraged to do so.

PHASE 6: Assurance

Q6-3. Since independent assurance on Sustainability Reports is not mandatory, then why should an entity still obtain it?

Obtaining independent assurance on Sustainability Reports may not be mandatory but it is increasingly becoming an important component of an effective Sustainability Report due to the following reasons:

- Improve public perception
- Improve data collection and reporting process
- Demonstrate compliance with regulatory requirements
- Provide comfort to the management and board
- Increase transparency and credibility with stakeholders
- Is an important parameter when company performance is being evaluated by rating agencies and indexes such as SGX Sustainability indices, DJSI, FTSE4Good, MSCI, etc

An externally assured Sustainability Report would provide stakeholders increased confidence in the quality of sustainability performance data and increase the recognition, credibility and public trusts on the Sustainability Report.

Q6-4. What aspects of Sustainability Reports to seek independent assurance on?

Once an entity has decided to obtain independent assurance on information contained in its Sustainability Report, considerations that the entity would need to think about include:

- **The intended audience** – the scope and other decision on the assurance process will vary depending on who the intended audience is and what disclosures they would be interested in having assured
- **The scope** – all sustainability disclosures, including reports on processes or systems related to sustainability, could potentially be subject to independent assurance. When considering the scope, the entity needs to consider the needs of its intended audience, the robustness of its internal data collection and control processes to support the disclosures, etc
- **Level of assurance to be sought** – the level of assurance indicates the extent of work that the assurance provider will undertake and the degree of confidence that report users should be able to obtain from the report
- **Assurance standard to use** – the more commonly used international standards for assuring Sustainability Reports are ISAE 3000 and AA1000 AS. Singapore's equivalent of ISAE 3000 is SSAE 3000

Entities in Singapore are encouraged to use SSAE 3000 as it is based on the same framework which governs the audit of financial statements and provides guidance on the conduct of assurance engagements. There is also a growing trend in using ISAE/SSAE 3000 instead of AA1000 AS

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