Corporate Citizenship Issues Briefing

SUSTAINABILITY REPORTING IN SINGAPORE

Getting ready for SGX’s requirements
Sustainability Reporting

The Singapore Stock Exchange (SGX) has officially introduced sustainability reporting for companies on a “comply or explain” basis and released its Sustainability Reporting Guide and Rule.

Mandatory sustainability reporting has been a long time coming in Singapore. In Asia, bourses in countries such as China, Taiwan, and Malaysia already require listed companies to publish sustainability reports in some form. This new ruling is an important step and is expected to drive sustainability improvements for Singapore listed companies as well as improve communication with investors.

What are the SGX requirements?

The rule takes effect for any Financial Year (FY) ending in 2017. Companies will have the flexibility to adopt the medium for sustainability reporting that is best suited for their stakeholders and industry. This could, for examples, involve publishing a standalone sustainability report or include sustainability information in Annual Reports.

According to the SGX guidelines reports should include: 1) The company’s most material environmental, social and governance (ESG) factors; 2) policies, practices and performance; 3) targets; 4) the sustainability framework used; 5) and a statement from the Board.

If a company excludes any of the above primary components, it must describe what it does instead with reasons for doing so.

SGX also requires companies to carefully select an appropriate framework for their business but does not require the report to be assured by a third party.

* Companies will need to report annually, no later than 5 months after the end of each FY. For FY2017, companies are given 12 months to publish their first report.

But just how ready are companies in Singapore for the new requirements?

Corporate Citizenship undertook desk-based research into the state of sustainability disclosure in Singapore during June 2016. The research builds on our 2013 Singapore Study and looks specifically at the level of sustainability reporting adopted by the top 100 SGX-listed companies by market capitalisation.

Our findings reveal a massive mountain to climb in Singapore as new reporting rules come into effect. For first time reporters in particular, meeting the SGX requirements will be a challenge. However, there are a number of logical steps companies can follow as they transition towards annual sustainability reporting on a “comply or explain” basis.

1Source: ASEAN Corporate Governance Scorecard (ACGS)
The State of the Nation

We found that 76% of the largest listed companies publish some information about responsible business practices and sustainability in the public domain. That might include details on charitable investments on their website or targets for environmental improvements.

However, only 23% currently meet SGX’s requirements by producing a sustainability report or disclosing ESG information in their Annual Reports or through other mediums. This implies that a significant majority – 77% – of large companies in Singapore will need to make a step change in their disclosure to meet the new SGX requirements.

Out of the companies that have produced a standalone report, 83% have reported against the Global Reporting Initiative (GRI) guidelines. This shows that most reporting companies are already following appropriate frameworks, as required by SGX.

Only 39% of companies publishing standalone sustainability reports have sought external third party assurance. Although independent assurance is not required by SGX, it increases stakeholder confidence in the accuracy and completeness of information disclosed. It is also a useful exercise for identifying gaps.

How long have companies been reporting for?

Our findings show that 44% of companies have only produced their first sustainability report within the last three years. For companies that have been reporting for several years, our study suggests that only 4 companies have been reporting for more than 7 years.

And how often do they do it? Just 70% of companies communicate on sustainability yearly, as mandated by the SGX ruling.

Overall, if we look at the state of reporting as it stands today, only 13% of the largest 100 SGX-listed companies appear to be fully compliant with the new SGX ruling outlined previously. The vast majority of companies in Singapore will therefore need to create some substantive changes in the years ahead.
How to approach sustainability for the first time

First time reporters should start small and keep things simple - at least until the right processes and systems have been established that can translate into more comprehensive reporting. Having helped over 140 companies at different levels of their sustainability journey, including Unilever, Abbott and Golden Agri-Resources, Corporate Citizenship offers important tips for first time reporters:

1. **Prepare**: Define the purpose of the report and decide on what the report content should focus on and the key message for the reporting year.

2. **Connect**: Identify and map key internal stakeholders that need to be involved in the process as well as key external audiences for the report. Understand the needs of your key stakeholders before writing the report.

3. **Identify material issues**: Materiality is a process to identify the issues that matter to the business and external stakeholders. It helps you prioritise the topics to include in your report. Carry out a materiality assessment to ensure your strategy and report cover the sustainability issues that matter the most to stakeholders and the long-term success of the company.

4. **Gather the data**: Identify the relevant information and key performance indicators (KPIs) related to your material issues. A good place to start is looking at reporting frameworks such as the GRI. Then, establish a system or process to collect the data from the relevant departments.

5. **Write and design**: Develop the content and design a report that is punchy, targeted and conveys its messages clearly - utilising visuals to convey information in an engaging manner.

6. **Share it**: Spread the word of your first sustainability report using existing communication channels such as the company’s website, social media, e-newsletters, and other marketing materials. Be sure to also seek feedback from stakeholders!

For questions on how Corporate Citizenship can help you or your company on your reporting journey, please contact our Singapore office at +65 6822 2203 or email Singapore@corporate-citizenship.com.

For resources and information about our reporting services, visit www.corporate-citizenship.com/service/reporting.
Corporate Citizenship is a global management consultancy specialising in sustainability and corporate responsibility. The team uses expert insight and a simplified approach to sustainability to deliver growth and long-term value for business and society. With teams in London, Melbourne, New York, San Francisco, Santiago and Singapore we work with clients on both a local and global level, to achieve their commitments to responsible business behaviours and sustainable practices. We advise on a number of areas including strategy, community, engagement, environment, supply chain, socio-economic impacts, reporting and assurance – helping clients to make the smart choices that will enable them to survive and thrive in an increasingly challenging business environment.

For further information please contact:

W: [www.corporate-citizenship.com](http://www.corporate-citizenship.com)
E: [mail@corporate-citizenship.com](mailto:mail@corporate-citizenship.com)
Twitter: @CCitizenship
LinkedIn: [Corporate Citizenship Company](https://www.linkedin.com/company/corporate-citizenship)

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<tr>
<th>London Office</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Holborn Gate, 5th Floor  26 Southampton Buildings  London WC2A 1PQ  United Kingdom</td>
<td>LBG Australia &amp; NZealand Corporate Citizenship  20-22 Albert Road  South Melbourne, VIC 3205  Australia</td>
<td>241 Centre Street  4th Floor  New York, NY 10013  United States</td>
</tr>
<tr>
<td>T: +44 (0)20 7861 1616</td>
<td>T: +61 (3) 9993 0452</td>
<td>T: 1-212-226-3702</td>
</tr>
<tr>
<td>San Francisco Office</td>
<td>Santiago Office</td>
<td>Singapore Office</td>
</tr>
<tr>
<td>901 Mission Street  Suite 105  San Francisco, CA 94103  United States</td>
<td>Av.Kennedy5735  Oficina 1503  Santiago  Chile</td>
<td>3 Fusionopolis Place  03 – 54  Galaxis Worklofts  Singapore  138 523</td>
</tr>
<tr>
<td>T: 1-415-416-9580</td>
<td>T: +56 22 3224 3569</td>
<td>T: +65 6822 2203</td>
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