CORPORATE CITIZENSHIP

What you need to know about SGX Sustainability Reporting Guide

The Singapore Exchange (SGX) refreshed its Sustainability Reporting Guide in February of 2018, providing a timely reminder to listed issuers that they are required to publish a sustainability report within 12 months of the end of their financial year for 2017 (in subsequent years this will be reduced to just 5 months).

Many companies in Singapore, including some who have already done sustainability reporting before, will need to step up in certain areas to ensure they are fully compliant.

This is a short briefing for directors and practitioners within listed issuers that touches on the 5 primary components, which make up the essential components of SGX's Sustainability Reporting Guide. We cover what each principle is, and why it matters.

The question all directors should be asking themselves is: *"Is my company ready to fully comply with the five primary components of SGX's Guide below?"*

1. Material ESG factors

The content of the sustainability report should be based on an assessment of what the most important issues are facing the business and its stakeholders, referred to as material ESG factors. A company should disclose what the material factors are, why they are material and how this has been determined.

WHY: There are a number of ESG issues vying for attention from company boards. It is therefore crucial to define what key factors or issues are sufficiently important to warrant attention by the business.

2. Policies, practices & performance

The sustainability report should disclose the related policies, practices and performance of the company in relation to each of the material ESG factors identified, in both descriptive and quantitative terms.

WHY: Disclosing how a business is addressing its material ESG factors builds trust amongst stakeholders that a company is well-managed and has mechanisms in place to safeguard against risks, and take advantage of opportunities.

3. Targets

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

WHY: Targets provide a clear yardstick to assess progress and give credibility to a company's claims. They provide confidence to stakeholders in the future performance of the company.

4. Sustainability Reporting framework

The listed issuer should select a sustainability reporting framework (or frameworks) to guide its reporting and disclosure.

WHY: Using an internationally recognised or industry-relevant framework not only provides guidance on how to prepare a report to best practice standards, it also enhances the comparability of the report, making it more meaningful to readers. Many companies will look to use the Global Reporting Initiative's (GRI) Standards for a stand-alone report or the International Integrated Reporting Council's (IIRC) framework for an integrated report.

5. Board statement

The report should contain a statement from the Board on how ESG factors are considered as part of strategy formulation, and provide detail on its oversight of the identification, management and monitoring of material ESG factors.

WHY: Ultimate responsibility for sustainability must sit with the highest governing body (the Board) if it is to be truly embedded within a business. The Board's sign off on the report gives credibility to the accuracy of the information disclosed within the report.

Beyond Compliance: The Value of Effective Sustainability Reporting

Developing a sustainability report may seem like a matter of compliance for many new reporting companies, but such an approach would miss the point of why SGX has introduced sustainability reporting for companies in Singapore.

Investors and other stakeholders are increasingly concerned about ESG issues that can erode economic value over time. A company's sustainability report represents the quality of its management with regards to ESG issues. It should build trust with stakeholders, giving them confidence when making decisions such as how to invest, where to work and even who to buy from.

Therefore effective sustainability reporting will not only ensure SXG compliance, it also serves to enhance your company's reputation, differentiate it from peers, and engage stakeholders on how your business will create and sustain value in the future.

A good sustainability report is authentic, being honest and transparent about successes and challenges.

It also needs tell a company's story in an engaging and differentiating manner, avoiding boilerplate narrative.

How Corporate Citizenship can help

Corporate Citizenship has over 20 years experience advising companies on sustainability reporting. Whether it is conducting SGX or GRI checks on a draft report to ensure compliance or supporting the production of a sustainability report from start to finish, we work with clients at all stages of the reporting journey.

Get in touch with us to find out more about our services and how we can support you.

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