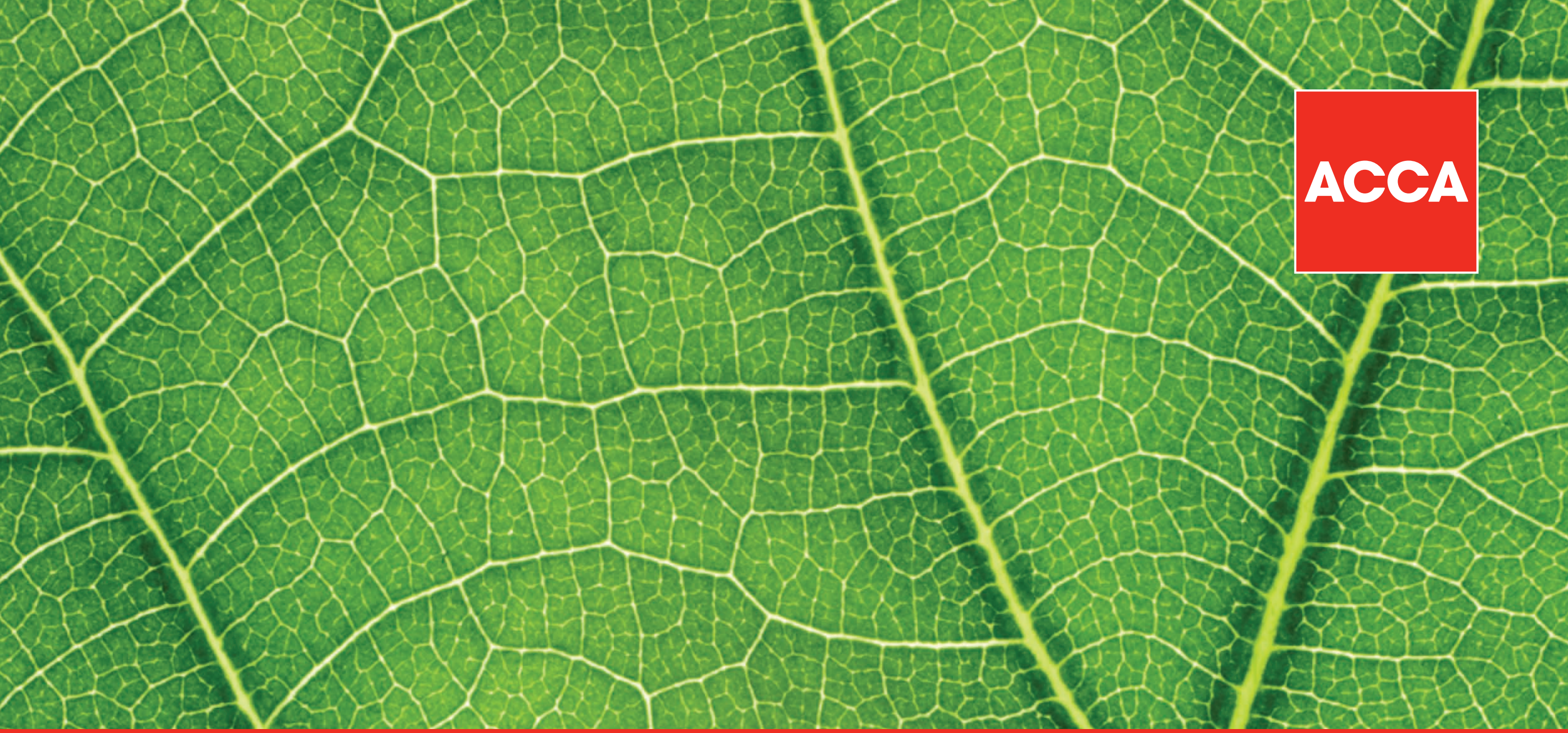

The Business Benefits of Sustainability Reporting in Singapore

ACCA SUSTAINABILITY ROUNDTABLE DIALOGUE ON 24 JANUARY 2013

ACKNOWLEDGEMENTS

ACCA would like to express its gratitude to all individuals who took part in the roundtable discussion and for their invaluable contributions to the discussion and to Tulcan Communications who was commissioned to facilitate the roundtable discussion and to subsequently produce this report.

ABOUT ACCA

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We have 432,000 students and 154,000 members in 170 countries worldwide.

ACCA has worked with governments, national organisations and development agencies in emerging economies – for over 20 years – promoting the accounting profession, to create value for the communities, businesses and individuals it serves.

ACCA has been actively involved with the unfolding debate on sustainability since 1990 and is committed to the Sustainability and Corporate Social Responsibility (CSR) agenda.

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Executive Summary

Sustainability reporting is the publication of information that reflects the performance of the organisation against environmental, social, and governance criteria. The process involves planning the report, identifying and engaging stakeholders, producing the report, verification, and continuous performance monitoring. Globally, the adoption of sustainability reporting by companies varies from country to country. In Singapore, 12 companies published sustainability reports in the 2011/2 reporting period.[i]

The benefits of sustainability reporting are significantly linked to the fact that sustainability reporting prompts performance monitoring where it hadn't previously existed, making subsequent benefits feasible. These include business improvements, increased trust and brand reputation, and an assessment of non-financial risk. The barriers to reporting include rapidly evolving frameworks and requirements, lack of management support, resources required, and an intangible return on investment.[ii]

Based on these considerations, the ACCA brought together a group of sustainability professionals and practitioners to discuss "The Business Benefits of Sustainability Reporting in Singapore" on 24 January 2013.

During the roundtable, participants strongly advocated for management ownership of the sustainability reporting process and emphasized the fact that reporting has the most benefits for companies when it is strategic and reports specific targets, such as improving diversity or reducing energy consumption. A misunderstanding of the objectives of reporting may cause the production of reports of limited value to consumers and stakeholders, but reporting frameworks provide a valuable benchmarking tool for companies and stakeholders.

The benefits of sustainability reports, and the reporting process, include:

- Setting improvement targets which in turn drive efficiencies
- Encouraging the companies to develop strategies for the long term
- Stakeholder engagement

Barriers to sustainability reporting include:

- Perceived cost
- Discomfort with increased transparency

Mandating reporting could be beneficial, particularly to encourage companies who have good sustainability practices but are not yet reporting or to provide specific guidance. However, it could have unintended consequences such as reducing the value of the reports produced and increasing the number of poor quality, "tick-box" reports. Sustainability reporting in Singapore was acknowledged as limited, which was explained by a lack of consumer demand. Nonetheless, reporting was considered positive as some Singaporean companies have gained global prominence for their reporting.

Key conclusions:

1. There has been little momentum observed towards reporting in Singapore, with neither companies nor stakeholders pushing for reporting as a practice or goal.
2. The benefits of sustainability reporting are not clearly understood within companies, either by leadership or employees.
3. There is a skills gap between what is required to create a comprehensive sustainability report and what companies have available and are willing to commit to the task.
4. While frameworks can be useful for stakeholders, there is confusion over the number and variety of frameworks.

Recommendations:

1. Educate companies and stakeholders on the relevance of sustainability issues. Arguably, this responsibility lies with the organisations and institutions which want to see increased sustainability disclosure, such as responsible investors, NGOs, special interest groups, consumers, governments, and stock exchanges.
2. Build awareness that the process of reporting is integral to the long term strategic goals of companies.
3. Companies and regulators should continue to raise awareness of sustainability and the benefits of sustainability reporting as mandating sustainability reporting may not be conducive to the production of comprehensive and useful reports.

[i] *The number of GRI sustainability reports registered on the GRI Disclosure Database http://database.globalreporting.org/*
[ii] *Briefing Pack, ACCA Sustainability Roundtable Dialogue, "The Business Benefits of Sustainability Reporting in Singapore"*

Introduction

The ACCA Sustainability Roundtable Dialogue was held on 24 January 2013 and topics of discussion included:

- The sustainability reporting process
- The role of frameworks in the reporting process
- The business benefits of sustainability reporting
- The barriers to sustainability reporting
- The value of mandating sustainability reporting
- Sustainability reporting in Singapore.

The Roundtable was hosted by ACCA, chaired by Jenny Costelloe, Tulchan Communications, and the participants were:

Esther An Head Of CSR & General Manager Of Corporate Affairs City Developments Limited	**Carrie Johnson** Founder Paia	**Jaideep Panwar** Research Products Manager Sustainalytics
Paul Druckman CEO IIRC	**Robert Kraybill** Managing Director Impact Investment Exchange Asia	**K Sadashiv** Partner (ASEAN) Climate Change And Sustainability Services (CCASS), Ernst And Young
Professor Hwang Soo Chiat Associate Professor Of Accounting SMU	**Rebecca Lewis** Investment Analyst Arisaig Partners	**Yeo Lian Sim** Chief Regulatory Officer Singapore Exchange (SGX)

1. The Sustainability Reporting Process

> "Sustainability encompasses the entire operations of the company, not just the environment. And it has to percolate downwards, and ownership has to be at every unit level, otherwise sustainable actions won't be seen"
>
> **K Sadashiv**

Panellists agreed with K Sadashiv that "ownership of sustainability reporting should lie with the board, as sustainability encompasses the entire operations of the company". Furthermore, they felt that ideally, a sustainability committee would work with and report directly to the board. However, companies require a certain maturity to establish this structure, and sustainability reporting is often handled through the corporate communications or investor relations departments, and expanded into a sustainability team from there.

> "PR professionals are not carbon specialists"
>
> **Esther An**

The importance of trained specialists was also highlighted, as employees may not have the specific knowledge to produce a comprehensive report, and Carrie Johnson emphasised the fact that "producing a sustainability report requires a range of skills". A team working across departments allows a greater understanding and depth of reporting. It is important to tailor reports to reflect specific company and industry situations.

The importance of leadership from the management was also raised, as it allows direction to flow down to specific groups that have their own functional responsibilities. Companies should have a clear purpose in reporting and it should be communicated clearly within the organisation, according to Yeo Lian Sim.

> "Sustainability reporting is an opportunity to have a frank conversation with external stakeholders"
>
> **Jaideep Panwar**

From an investor's point of view, it is important for the management to have ownership as it indicates a clear commitment to the process. Otherwise, it can be seen as merely a public relations exercise or a competitive manoeuvre, instead of what Jaideep Panwar called an "opportunity to have a frank conversation with external stakeholders". In particular, the finance director is seen as a point person for investors, and a company's ability to address ESG[iii] issues is seen as linked to its ability to deliver to shareholders. The vast majority of the group felt that the process of sustainability reporting improves the long term thinking by the company.

[iii] *Environment Social Governance – the term used most frequently by investors to refer to sustainability or Corporate Social Responsibility*

2. The Role Of Frameworks In The Reporting Process

> **"Companies are only looking to fill just the list of indicators, and miss considering the guidance that relates to the Management Approach to Standard Disclosures"**
>
> **K Sadashiv, on GRI guidelines**

Participants were divided on the GRI guidelines. Some felt that while in theory the GRI process is detailed and useful, in practice most companies focus only on indicators and miss the overall guidance, and thus the benefit of reporting on the indicator is lost. Others emphasised the importance of the GRI Management Approach section in the GRI guidelines, which helps give stakeholders an idea of how and why the company is reporting, which is not conveyed in numbers and pictures. Still others stated the importance of external auditing to ensure the quality of the data presented within the GRI guidelines.

> **"Any framework that allows [an analyst] to improve the comparability between companies will help these issues be integrated into investor thinking. We use metrics to see if companies are managing risk and identifying opportunities, and any perspective that brings companies together and gives comparability is a positive step in the right direction"**
>
> **Rebecca Lewis**

The two things investors look at are whether the management understands and supports the sustainability reporting process in the long term, and comparability to other companies. From that point of view, GRI is very beneficial, despite its flaws, because it allows investors to "improve the comparability between companies, in particular with regard to managing risk and identifying opportunities", stated Rebecca Lewis. It was also mentioned that social enterprises are developing a similar set of tools to try to measure specific social impact, and face the same challenges of comparability across vastly different companies and models.

> **"Reporting according to the GRI framework alone is very much a post mortem. That's not what it (sustainability reporting) is all about. Investors want to know about the future"**
>
> **K Sadashiv**

A particular point raised was the importance for companies of setting targets. While GRI can be an effective tool, companies are often very wary of talking about the future. Their reporting focuses on the past, while investors want to know about the future and about the company's commitments. It is also important for the company to set targets, as a "stretching target forces them to innovate, to think about the organisation and how it is structured", according to Rebecca Lewis.

On the topic of GRI's new guidelines, G4 (due in May 2013), participants were also divided. Some felt that the application levels as allowed under the current guidance have been commonly misperceived as indicative of report quality, and leading to dysfunctional behaviours such as the phenomenon referred to as companies "chasing grades" by Jaideep Panwar. In addition, the concern was that with application level B and C, reporters were picking and choosing indicators that are not necessarily the most material to their business, but instead were 'convenient' or were the most PR-friendly. The fact that GRI G4 will have mandatory indicators will make the reports more useful in helping investors and stakeholders compare companies.

Participants also felt that the G4's lack of application levels would not necessarily be a problem for companies in Singapore who are committed to sustainability reporting. The application levels should not be the primary concern of the company doing the report. However, while financial reports do not have any grading and are relatively well understood, sustainability reporting is still new, and thus the application level is useful from a reader's point of view, noted Professor Hwang Soo Chiat. Participants therefore encouraged initiatives and education to increase literacy on sustainability topics. On the other hand, some participants were concerned that the tightened requirements under proposed G4 will increase reporting costs and create greater barriers for new reporters.

Overall, participants felt that the GRI guidelines allow sufficient flexibility and customisation but at the same time facilitate comparability, but were sometimes ineffectively implemented. A poll of participants revealed that the majority felt that GRI had a future as a framework, even in the face of other emerging practices.

3. The Business Benefits Of Sustainability Reporting

On the benefits of sustainability reporting, participants agreed that it instils discipline and helps a company think about and define its long term vision and raises awareness of sustainable practices in the whole organisation. The vast majority of the participants felt that the process of reporting helps improve long term thinking by the company. In fact, participants highlighted that reporting is just a tool to track performance, and sustainability practices should be fully integrated into the business strategy.

Practically, it was highlighted that sustainability reporting naturally requires attention to sustainability practices, the biggest benefit of which K Sadashiv called a clear “cost reduction on several aspects of their operations, particularly in increasing efficiency”. This benefit can be used to increase momentum behind sustainability within the organisation and drive external brand impact.

There is also a benefit to organisations in their communication with stakeholders. Robert Kraybill stated that reporting and the data gathering and strategy behind the reporting can “increase their ability to communicate with investors regarding their social impact and KPIs”. Beyond the focus on investors, the report can also be an important tool to engage and communicate with employees, other businesses, and local communities. It also has the ability to attract talent, as it was felt that the younger generation is more attuned to issues relating to the sustainability of businesses.

> “The process of setting targets can help companies look for ways to reduce risk and identify opportunities. The strategy behind those targets can also help companies build resilience into their core business model and identify trends in their business”
>
> **Rebecca Lewis**

Some participants raised the importance of reporting in helping companies set targets and KPIs. Even in the case where companies fail to meet those targets, Rebecca Lewis felt that the process of setting them can “help companies reduce risk and identify opportunities and build resilience into the core business model”.

When considering the benefits of sustainability reporting, a poll of participants revealed that a significant majority felt that the most important benefit to the *reporter* is in a better understanding of risks and externalities, while a minority felt that the most important benefit was in attracting more investors. A second poll revealed that the participants were fairly evenly divided on the most important benefit to *stakeholders*, between a better understanding of the business, increased confidence in the company, and the ability to make informed investment decisions.

4. The Barriers To Sustainability Reporting

> "If your management systems are in place, costs are commensurately lower. Management expenditure should not be lumped into reporting costs"
>
> **Jaideep Panwar**

> "It boils down to understanding the sustainability reporting process. If you do not see it as adding value to your business strategy, then it's a cost. But if it adds value, then it should not be considered as a cost, but an investment"
>
> **Esther An**

Participants generally agreed that cost is not the most significant barrier to reporting. For small companies, the cost is lower, and ability to spend increases with size. Furthermore, Jaideep Panwar said that "management system costs should not be lumped into reporting costs", and Paul Druckman noted that "costs can be mitigated quite considerably if they are part of the business process instead of doing things in silos". However, the perceived cost of reporting may be considered a barrier by companies. Overall, participants felt that whether cost is considered a barrier to reporting is a question of understanding the sustainability reporting process. As Esther An pointed out, "if companies don't see it as adding value to their business strategy, then they see it as a cost, but if they see it as adding value, then they should consider it an investment rather than a cost".

Participants felt that the difficulty of cost as a barrier lies in the fact that the perceived cost can be easily quantified, while the benefits can be harder to quantify. After reporting for a number of years, companies can see a clear benefit, but it can initially seem too vague for a consultant or an analyst to quantify. On the other hand, analysts can play an important role in communicating the objectives and value of reporting, as Yeo Lian Sim stated that "stakeholders' understanding of the reports will be enhanced with commentaries from analysts". It was also observed that some CFOs may not necessarily play a constructive role in promoting sustainability reporting due to a fixation on quantifying benefits. Another barrier identified was the fact that many companies do not see true benefits from reporting, which will only be realised if actions are taken on material issues identified in the process. This will only happen if the sustainability practices are fully integrated into the long term goals of the company.

> "There is a perception that transparency can lead to a so-called 'loss of face', and that companies will dilute their competitiveness by disclosing information"
>
> **Professor Hwang Soo Chiat**

Another barrier mentioned was a discomfort with transparency. Professor Hwang Soo Chiat informed the roundtable that particularly in Asia and Singapore, there is a feeling that "transparency can lead to a so-called loss of face". This is also a problem in the context of financial reporting, as companies feel that they will dilute their competitiveness by disclosing financial information. However, they need to learn to accept that anything they disclose can be ultimately beneficial to them. This problem was also seen in the evolution of financial reporting in the 90s, as companies were uncomfortable disclosing information on things they had not reported on before, including revenue and gross margin, but ultimately came to accept that greater transparency brought about a higher level of trust and confidence in the business. A point was also made that despite companies' discomfort with transparency, their stakeholders and competitors could usually find any information they wanted about companies through the internet, or even disgruntled employees.

5. The Value Of Mandating Sustainability Reporting

On the topic of mandating sustainability reporting, responses were mixed. Some felt that if regulators were more supportive of reporting, that might be enough to encourage companies to report. Some felt that there is a cultural aspect to reporting, as in Japan, almost all companies report and yet it is not mandatory. Some felt that mandatory reporting would not lower any barriers to the reporting process, but might decrease the value of the reports as companies would produce them without understanding the purpose or relevance. “An unintended consequence of mandating reporting might be that the reports will be entirely tick-box driven”, suggested Paul Druckman, and therefore be of little value to stakeholders.

It was further raised that some investors encourage companies to engage directly with stock exchanges, in order to start having the conversations that lead to reporting and thinking strategically. The Hong Kong Exchanges and Clearing Limited has set indicators for reporting, which can be useful to kick-start reporting, but some participants felt it was not a long term solution because there is already a proliferation of guidelines.

Mandating sustainability reporting by the Exchange may attract a certain kind of capital and a certain kind of company, but may also discourage some companies from listing there. It was suggested that minimum level requirement would not see companies move away, and that the key factor would be how much and what reporting was mandated. In particular, if it was mandated to the top segment of companies, that are more likely to have good practices in place, it might encourage them to take the final step and report on those practices.

The point was also raised that even with mandated reporting, without awareness or demand on the part of stakeholders, the impact of sustainability reports would be limited. According to Carrie Johnson, sustainability expertise is particularly limited in Singapore, even compared to most countries in Asia. If it were developed, there would be less necessity for the stock exchange to mandate reporting. The role of domestic institutional investor institutions has been particularly important, among other factors, in the markets that have moved forward, such as Brazil and South Africa, as Jaideep Panwar mentioned. Furthermore, impact investment has shown tremendous growth already in the US and Europe, and while it is less established among investors in Asia currently, it is making rapid strides as awareness spreads, as Robert Kraybill stated.

6. Sustainability Reporting In Singapore

Some participants raised the fact that there is not a lot of demand for sustainability reporting or sustainable practices in Singapore, and as such they do not command the premium that they might with more developed demand. However, the point was raised that as Singaporean companies already have integrated good governance practices, for example based on the Code of Corporate Governance, they may not feel compelled to provide further information regarding their sustainability as a business. This could weaken the argument for sustainability reporting.

A benefit in Singapore was that sustainability reporting has helped put the Island State on the global map of sustainability, with 3 companies in Singapore in the 2013 Global 100 List of most sustainable companies[iv]. Furthermore, if reporting was mandated by the Exchange, it might attract companies which want to be associated with good governance and high standards. A unique barrier identified in Singapore was the fact that while global investment management companies and banks may be sustainability leaders in their headquarters in the UK or New York, the goals have not been communicated to the office in Singapore or Hong Kong.

When asked whether they felt that all listed companies would be able to find a way to report if sustainability reporting were made mandatory in Singapore, just over half agreed that they would. The other portion felt that the barriers in place would remain and cause difficulties for companies forced to report.

[iv] *2013 Global 100 List, by Corporate Knights Inc, released during the World Economic Forum in Davos, http://www.global100.org/annual-lists/2013-global-100-list.html*

Conclusion

Participants argued that while there is an intrinsic value in sustainability reporting, it is still not entirely understood, by both reporters and stakeholders. Clearly defined strategic ownership and objectives of sustainability reporting are required for it to be effective for the business and comparability is required for it to be of use to the stakeholder (particularly investors). As such, sustainability reporting currently presents both benefits and barriers, and companies in Singapore are not pushing towards increased reporting. This was ascribed to both corporate culture and lack of demand, strengthening the vision of a reinforcing virtuous circle between companies and stakeholders.

Key conclusions:

1. There is no move towards reporting in Singapore, with companies and stakeholders not pushing for reporting as a practice or goal.

2. The benefits of reporting are not clearly understood within companies, either by leadership or employees.

3. There is a skills gap between what is required to create a comprehensive sustainability report and what companies have available and are willing to commit to the task.

4. While frameworks can be useful for stakeholders, there is confusion over the number and variety of frameworks.

Recommendations:

1. Educate companies and stakeholders on the relevance of sustainability issues.

   - As education increases, company and stakeholder involvement will shape reporting practices.

2. Build awareness that the process of reporting is integral to the long term strategic goals of companies.

   - Notion of “loss of face” should be dismissed and value of reporting promoted.

3. Companies and regulators should continue to raise awareness of sustainability and the benefits of sustainability reporting as mandating sustainability reporting may not be conducive to the production of comprehensive and useful reports.

   - Industry leaders in Singapore should provide momentum for sustainability reporting by reporting themselves and encouraging their partners to report.

Biographies

Esther An
Head Of CSR & General Manager Of Corporate Affairs, City Developments Limited

Esther An joined City Developments Limited (CDL) in 1995 to set up the company's Corporate Communication Department and subsequently the CSR portfolio. She has been instrumental in building up CDL as a forerunner in CSR. The company's relentless efforts in embracing sustainability for business excellence have won many international and local accolades such as the prestigious Global 100 Most Sustainable Companies, Asian CSR Awards and BCA Built Environment Leadership Award. CDL is also honoured to be the only Singapore developer listed on the London FTSE4Good Index since 2002 and the Dow Jones Sustainability Indexes (since 2011).

Sitting on board of the Singapore Compact for CSR Management Committee. Esther has been active in advocating CSR amongst businesses and students.

Paul Druckman
CEO, IIRC

Paul is Chief Executive Officer of the International Integrated Reporting Council (IIRC). Paul is well known and respected in business and in the accounting profession worldwide. Following an entrepreneurial career in the software industry, Paul operated as a non-executive chairman and director for companies in a variety of sectors until taking over this post. Formerly a Director of the UK Financial Reporting Council; member of the City Takeover Panel; and President of the Institute of Chartered Accountants in England and Wales (ICAEW). His high profile work on sustainability matters has included chairing The Prince's Accounting for Sustainability Project (A4S) Executive Board and the FEE Sustainability Group.

Professor Hwang Soo Chiat
Associate Professor Of Accounting, SMU

Professor Hwang's research interests include sustainability reporting, behavioural accounting and changing cultural values in Singapore, and his teaching interests include strategic management accounting. He has a PhD from Macquarie University, a Master's in Economics from Monash University, a Bachelor in Accounting from the University of Singapore, and an ACMA (UK) and an FCPA (Singapore). Professor Hwang was awarded the School of Accountancy Teaching Award in 2005.

Carrie Johnson
Founder, PAIA

Carrie Johnson founded Paia in 2002. She is a specialist in sustainability strategy, reporting and environmental issues. With over 20 years extensive "hands on" experience, Carrie focuses on guiding companies through the strategy development and reporting process. This includes helping companies develop their reporting process, select indicators, compile reports and review report drafts. Carrie has worked with many leading companies, both in Southeast Asia and in the UK, implementing and reporting on sustainability. Several of these reports have gone on to be shortlisted for reporting awards.

Carrie is the official trainer for Sustainability Reporting on behalf of ACCA, SEI and Singapore Compact. She has been providing both training and guidance on Sustainability Reporting in Malaysia, Thailand and Singapore since 2001. She is also a Senior Lecturer at NUS teaching on NUS's Masters in Environmental Management (MEM Programme). She has a Masters in Environmental Management from Imperial College, London, and a BA (Hons) in Geography.

Robert Kraybill
Managing Director, Impact Investment Exchange Asia

Robert is Managing Director of Impact Investment Exchange Asia, a Singapore-based company which is creating Asia's first social stock exchange and other platforms to raise investment capital for social enterprises in Asia-Pacific. Robert is also a member of the board of Impact Investment Shujog Limited, a registered charity with a mission to promote social enterprise and prepare social enterprises to access impact investment capital. In addition, Robert is Senior Advisor to Asian Tiger Capital, a financial services firm in Bangladesh offering research, advisory and asset management services.

Before joining the social capital movement, Robert spent nearly 20 years in the traditional capital markets as an advisor and investor, most recently as head of Asian private equity for Marathon Asset Management, a US$12 billion alternative investment manager. Before that, Robert was head of investment banking, Asia ex-Japan, for Dresdner Kleinwort Wasserstein. Robert began his career at Morgan Stanley and Credit Suisse.

Robert received his B.A. magna cum laude from Princeton University and his J.D. summa cum laude from the University of Pennsylvania. Robert has lectured on M&A as an Adjunct Professor at the Singapore Management University. He has lived in Singapore since 2004.

Biographies

Rebecca Lewis
Investment Analyst, Arisaig Partners

Rebecca is an investment analyst at Arisaig Partners, an investment management firm who focus exclusively on listed consumer sector businesses in emerging markets. Arisaig Partners is a signatory to the United Nations Principles of Responsible Investment and Rebecca leads their work on integrating Environmental, Social and Governance data into their investment process and ownership practices across Asia, Africa and Latin America.

Prior to that, Rebecca was a Responsible Investment Analyst at Responsible Research, publishing reports on the ESG issues facing business in Asia, and previously, Rebecca had undertaken independent research projects for the United Nations Global Compact on the engagement of the private sector on climate change and has experience implementing sustainable development projects throughout South East Asia.

Jaideep Panwar
Research Products Manager, Sustainalytics

Jaideep manages four research team members in Sustainalytics' Singapore office. He is also responsible for ESG analysis, corporate engagement, and works on private equity ESG projects. His current focus includes mentoring Sustainalytics' Asian Insight research reports and sustainability disclosure policymaking.

He joined Sustainalytics as part of the acquisition of Responsible Research, the leading Asian ESG research provider. At Responsible Research, Jaideep co-authored ESG reports on a variety of topics: Sustainable Stock Exchanges, Automotives in Asia, Water in India and Microfinance in India. Prior to this, Jaideep was part of Ernst and Young's Climate Change and Sustainability Services team in Mumbai where he worked with leading corporate clients from the cement, mining, automotive, engineering, IT sectors, among others, on sustainability issues.

Jaideep holds a Master's degree in Environmental Management from the National University of Singapore.

K Sadashiv
Partner (ASEAN), Climate Change And Sustainability Services (CCASS), Ernst And Young

Sadashiv is a Partner heading the Climate Change and Sustainability Services Practice for Ernst & Young across ASEAN and is based in Singapore. Sada has over 25 years of advisory experience in assisting clients and advising them on their business, sustainability and related practices. He has worked with a large number of clients spanning Asia, W, Europe, N. America and the Middle East spanning a wide range of industries.

In his current role, Sada works with clients helping develop their overall low carbon strategy. He also works on corporate sustainability reporting, providing advisory as well as assurance on his clients' sustainability reports. Sada is currently working with a listed chemicals company in helping them prepare for their sustainability reporting with the aim of assisting them to put out a report for assurance in the next reporting period. Another significant project is product carbon footprinting for a tyre industry client.

Sada's academic qualifications include a B.Tech (IIT, Madras) in Electrical Engineering, followed by an MBA (IIM, Bangalore) majoring in Marketing and Finance. He has also studied Strategic Business at Arthur D Little's Management Education Institute, Boston and International Business at GATT, Geneva. More recently Sada has completed a Graduate Course in International Arbitration from the NUS Law School.

Yeo Lian Sim
Chief Regulatory Officer, Singapore Exchange (SGX)

As Chief Regulatory & Risk Officer of the Singapore Exchange (SGX), Ms Yeo oversees the Risk Management and Regulation team that is responsible for maintaining a robust regulatory framework for SGX's operation of a fair, orderly and transparent market and safe, efficient clearing services. Prior to SGX, Ms Yeo was Managing Director at Temasek Holdings. For most of her career, she was at the Monetary Authority of Singapore where she held responsibilities in various areas.

Ms Yeo serves on the Board of Shared Services for Charities Limited, Singapore Land Authority, the Singapore Institute of Directors Council, and the Audit Committee of the National Council of Social Service. She graduated with Honours from the University of Singapore and holds a Master degree from the London Business School, UK. Ms Yeo was awarded the Public Administration Medal (Gold) at the Singapore National Day Honours in 1994.

Appendix

AN INSIGHT FROM THE IIRC

Paul Druckman, the CEO of the International Integrated Reporting Council (IIRC), briefly attended the ACCA Roundtable. While most of his comments have been included in the report, his comments pertaining specifically to integrated reporting have been gathered here.

As defined by the IIRC, Integrated Reporting (IR) is a process that results in communication, most visibly a periodic "integrated report", about value creation over time. An integrated report is a concise communication about how an organisation's strategy, governance, performance and prospects lead to the creation of value over the short, medium and long term. An integrated report should be prepared in accordance with the International IR Framework.

IR aims to catalyse a more cohesive and efficient approach to corporate reporting that draws together other reporting strands and communicates the full range of factors that materially affect the ability of an organization to create value over time. Its objective is to inform resource allocation by providers of financial capital that supports long term, as well as short and medium term, value creation. It promotes integrated thinking, decision-making and actions that focus on the creation of value in the long term, as well as short and medium term. IR enhances accountability and stewardship with respect to the broad base of capitals (financial, manufactured, human, intellectual, natural, and social and relationship) and promote understanding of the interdependencies between them.

IR builds on developments in financial and other reporting to catalyse an evolution in corporate reporting. An integrated report communicates the factors most important to the creation of value over time. Organizations will provide additional detailed disclosures, such as financial statements and sustainability reports, for compliance purposes and to satisfy particular information needs, including those of stakeholders other than providers of financial capital. These other disclosures may be linked to or referenced in the organization's integrated report.[v]

Regarding sustainability reporting, Paul Druckman emphasised the fact that "it should not be assumed that integrated reporting is the next generation of sustainability reporting." Both are necessary as they have different objectives. Integrated reporting is useful to provide an overview that cuts across the different aspects of the organisation, including sustainability, financial, and commercial, while a sustainability report is specifically about the sustainability aspect of the organisation. An attempt to integrate the two would lead to the creation of an overly large and complex report.

> "The integrated reporting process helps bring corporate strategy into and across the business, by making different units have to talk to each other. There is less focus on cost and more on opportunity and risk."
>
> **Paul Druckman**

It was pointed out that the integrated reporting process has two benefits. The first is that it demonstrates to investors that the business has more value than just financials, and the second is what goes back into the business. The latter is particularly significant in "bringing corporate strategy into and across the business, by having different units communicate" (Paul Druckman) and moving the focus from cost to mitigating risk and generating opportunities.

[v] *About Integrated Reporting, http://www.theiirc.org/about/*

OVERVIEW OF SUSTAINABILITY REPORTING

Executive summary
Sustainability reporting is the publication of information that reflects the performance of the organisation against environmental, social, and governance criteria. The process involves planning the report, identifying and engaging stakeholders, producing the report, verification, and continuous improvement. Globally, the adoption of sustainability reporting by companies varies from country to country. The benefits of sustainability reporting are significantly linked to the fact that sustainability reporting prompts performance monitoring where it hadn't previously existed, making subsequent benefits feasible. These include business improvements, increased trust and brand reputation, and an assessment of non-financial risk. The barriers to reporting include rapidly evolving frameworks and requirements, lack of management support, resources required, and an intangible return on investment.

What is sustainability reporting?
The Global Reporting Initiative (GRI) defines sustainability reporting as "the practice of measuring, disclosing, and being accountable to internal and external stakeholders for organisation performance towards the goal of sustainable development".[vi] In turn, the goal of sustainable development is to "meet the needs of the present without compromising the ability of future generations to meet their own needs".[vii]

A definition of sustainability reporting tailored to the Singapore market, from the Singapore Stock Exchange (SGX) Guide to Sustainability Reporting for Listed Companies is "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".[viii]

The purposes of sustainability reporting are, among others:

- **benchmarking** and assessing sustainability performance with respect to laws, norms, codes, performance standards, and voluntary initiatives,
- **demonstrating** how the organisation influences and is influenced by expectations about sustainable development,
- **comparing** performance within an organisation and between different organisations over time.[ix]

What does the process of sustainability reporting entail?
There are different frameworks for sustainability reporting. Prominent among these are those developed by the Global Reporting Initiative (GRI), a non-profit organisation that works towards a sustainable global economy by providing sustainability reporting guidance. The GRI provides companies and organisations with a comprehensive sustainability reporting framework that is widely used around the world.[x] The principles of GRI reporting are materiality, stakeholder inclusiveness, sustainability context, and completeness.[xi]

Another framework for social responsibility, which can be used as a guide for sustainability reporting, is ISO 26000. This provides "guidance on how businesses and organisations can operate in a socially responsible way. This means acting in an ethical and transparent way that contributes to the health and welfare of society".[xii]

Finally, each organisation must consider their objectives for sustainability reporting. These can be particular to each organisation and should reflect their mission and values, whether they are performance monitoring, stakeholder engagement, or brand development.

[vi] *GRI Reporting Guidelines v3.1 p3*
[vii] *GRI Reporting Guidelines v3.1 p2*
[viii] *SGX Guide to Sustainability Reporting, 2.3, http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Sustainability_Reporting_Guide_and_Policy_Statement_2011.pdf*
[ix] *GRI Reporting Guidelines v3.1 p3*
[x] *"About GRI", https://www.globalreporting.org/information/about-gri/Pages/default.aspx*
[xi] *GRI Reporting Guidelines v3.1 p4*
[xii] *ISO 26000, http://www.iso.org/iso/home/standards/iso26000.htm*

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According to best practice, the process of preparing a sustainability report should involve a series of steps. These can include:

- **Planning the report**. The process of planning the sustainability report needs to be properly managed in order to produce a report that is consistent with the objectives of the report and to meet the needs of the stakeholders.

- **Identifying and engaging key stakeholders**. A company's stakeholders are those groups who impact and/or are impacted, either directly or indirectly, by the company and its activities.

- **Producing the report**. After planning the report and identifying key stakeholders and engaging them, the reporting organisation can set about producing the report. Suggested steps include:

- **Assurance and verification**. Although, assurance is not a mandatory requirement under the GRI G3 Reporting Guidelines, assurance will increasingly become an important component of an effective sustainability report. Key aspects include:

- **Continuous improvement**. A company's sustainability reporting effort is a continuous process that does not begin and end with a publication. Reporting should be treated as part of a broader process of defining organisational strategy, implementing action plans, and assessing outcomes.[xiii]

Once produced, the sustainability report can be disseminated in a variety of ways. A lengthy printed report is not a requirement and the disclosure of sustainability data is flexible and can be done through different platforms, including:

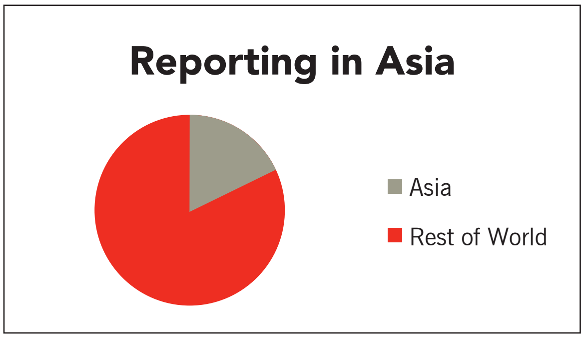
- Printed reports
- Summary leaflets (detailed data on the website)
- A few pages within an annual report
- Website or microsite
- Integrated reporting, through which a company's financial and sustainability data are combined
- Information contained within recruitment material, codes of conduct, speeches, presentations, inductions, etc.

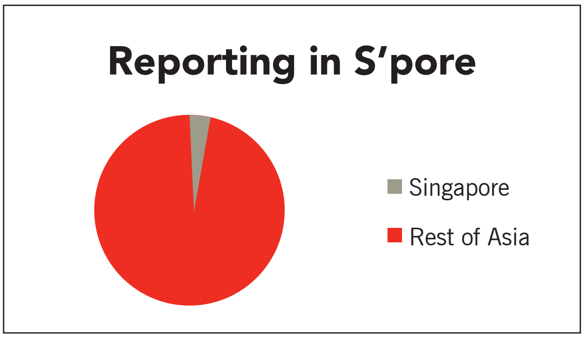
[xiii] *ACCA, Sustainability Reporting Handbook, A guide for Singaporean companies.*

Briefing Pack

Who is reporting?
The following numbers of GRI reports were submitted in 2011 to the GRI Reporting Database :

Worldwide	2260
Asia	408
Singapore	12





Companies publishing GRI reports in Singapore, according to the GRI database[xiv]:

1. Capitaland
2. City Developments Limited
3. Golden Agri-Resources Ltd
4. Keppel Corporation
5. Keppel Land Limited
6. Origin Exterminators
7. Power Seraya
8. SAS Singapore
9. Sembcorp Industries Ltd
10. Singapore Exchange
11. SingTel
12. Swire Pacific Offshore

Source: GRI Sustainability Disclosure Database.

[xvi] GRI Sustainability Disclosure Database, http://database.globalreporting.org/search

Briefing Pack

Benefits of sustainability reporting
Sustainability reporting can have a wide range of business benefits.

'Business as usual' is not necessarily the most sustainable approach to business. Therefore, the analysis and dialogue required for sustainability reporting can drive innovation in cost savings and new business opportunities and thus help companies grow their business and increase their organisation's value.[xv] The sustainability report can be used as a platform for companies to showcase their innovations and to articulate the improvements that they bring to their business and management practices.

Furthermore, it encourages companies to consider social and environmental factors and to consider emerging risk areas and identify opportunities, thus helping protect corporate reputation and improve shareholder value.[xvi]

The production of a sustainability report can also provide companies with "reputational dividends" from both investors and consumers.[xvii] For example, forward-thinking sustainability policies can help bring a company, particularly in emerging markets, to a more prominent global position.[xviii]

Sustainability reporting "allows a balanced and understandable assessment of the company's performance by stakeholders to facilitate corporate accountability".[xix] This increased transparency can improve trust from employees (thus improving employee loyalty and retention), investors, governments and regulators, local communities, and other external stakeholders.

The sustainability reporting process should be based on an identification of and engagement with stakeholders, as well as a prioritization of stakeholders and respective issues. It also provides a framework for measuring non-financial performance.[xx] Therefore, it can contribute to improving communication with stakeholders, highlighting opportunities for growth, as well as assessing externalities, resource issues, and the long term sustainability of the business. Furthermore, such assessments can help avoid fines for non-compliance with environmental and governance regulations.

Sustainability reporting therefore aligns with annual reporting of financial information and contributes to the overall goals of that reporting.

- Drives innovation and learning
  - Highlights inefficiencies and risk, and helps identify opportunities for supply chain, management, and business improvement.
- Societal competition / reputational dividends
  - As sustainability reporting gains a higher profile with employees, investors, and stakeholders, quality reporting will be considered a factor in whether to engage with a company or market.
  - It can increase employee retention, attract investors, and improve relationships with stakeholders.
  - As and when sustainability reporting becomes mandatory, it will be accompanied by fines and non-financial consequences for non-compliance, such as barring an IPO at a specific stock market.
- Business opportunities and improvement
  - Improved employee attraction and retention
  - Attraction of investors
  - Stronger communication with governments, regulators, NGOs and local communities
- Raises corporate transparency
  - Improves trust from employees, stakeholders, and investors
  - Highlights management quality,
  - Increases brand value
- Balanced assessment by stakeholders
  - Gives an strong indication of how well a company is being managed
- Holistic assessment of emerging risks and opportunities
  - Increases business resilience
  - Highlights emerging markets and opportunities,
  - Mitigates social and environmental (non-financial) risk
  - Reassures investors that company is managing non-financial risk
- Promotes stakeholder engagement and communications
- Aligned with objectives of annual reporting of financial information

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[xv] *KPMG Corporate Responsibility Reporting Survey 2011, http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Pages/de-facto-business-law.aspx*
[xvi] *SGX Guide 2.2*
[xvii] *KPMG Corporate Responsibility Reporting Survey 2011, http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Pages/financial-value.aspx*
[xviii] *Sustainable Stock Exchanges p12-13*
[xix] *SGX Guide 2.1, http://rulebook.sgx.com/net_file_store/new_rulebooks/s/g/SGX_Sustainability_Reporting_Guide_and_Policy_Statement_2011.pdf*
[xx] *SGX Guide 2.3-2.4*

Barriers to sustainability reporting
However, there remain certain barriers to sustainability reporting.

Companies may find it challenging to develop and maintain standards of reporting that accurately reflect their sustainability programs. While the methodology of sustainability reporting is maturing and the standards of reporting are rising, this is also accompanied by a multiplication of frameworks and guidelines for reporting. Companies may therefore have trouble identifying and following the most relevant framework or guidelines for their report and they may find that “misstated data poses not only a risk to their credibility and reputation, but also impacts the management insight and innovation that [sustainability] reporting provides”.[xxi]

This process is further complicated by the fact that few organisations have previously collected and formatted the relevant data, and that such work is rarely a pre-established part of a specific person’s job, making the information-gathering aspect of sustainability reporting a significant barrier.

Therefore, data reported in evolving frameworks may detract potential investors, creating a competitive disadvantage for companies. Furthermore, requirements for sustainability reporting at the IPO stage might be considered a competitive disadvantage the stock exchange in question[xxii] as companies may find the requirement onerous and complicated.

The production of the report is an expense.[xxiii] This expense can be considered in terms of cost, time, and expertise. It can be further increased by the large breadth of topics to be analysed and reported on, as well as a lack of management support for or understanding of the process. Senior-level ownership of sustainability data is important,[xxiv] as it drives the cross-functional collaboration and data collection required for the report.

Furthermore, training and education on the frameworks and guidelines would have to take place in the initial phase of the construction of the report.

Sustainability reporting can also be challenging in that certain benchmarks are established for improvement or development over subsequent years. This creates an imperative that the company must execute throughout the year and in their overall business practices that can be a further drain on resources.

Furthermore, companies may not have formed a clear view on sustainable development and its impact on their organisation. The objectives and scope of the report may therefore be undefined, making it difficult to produce a relevant document aligned with their interests.

Finally, there is a perception that stakeholders and investors rarely read the ESG disclosure made available to them,[xxv] making the financial return on investment unclear or nil.

- Unclear / rapidly evolving reporting standards and frameworks
  - Breadth of topics under sustainability can be overwhelming
- Resources: cost, time, expertise
- New processes may feel uncomfortable, especially stakeholder engagement
- Lack of management support or understanding
  - Fear of risking credibility and reputation, risking misinterpretation
  - Senior-level ownership is important
  - Training and education of management and employees responsible for report
- Mandating sustainability reporting places companies and stock exchanges at a competitive disadvantage
  - Companies risk credibility or misinterpretation
  - Stock exchanges risk discouraging new IPOs
- Perception that stakeholders and investors do not read sustainability reports produced
- No clear financial return on investment

[xxi] *KPMG Corporate Responsibility Reporting Survey 2011, http://www.kpmg.com/Global/en/IssuesAndInsights/ArticlesPublications/corporate-responsibility/Pages/data-integrity.aspx*
[xxii] *Sustainable Stock Exchanges, p22*
[xxiii] *Lindsey Lim (BSR Beijing Office), “Insights for Improving CSR Disclosure by Companies Listed on the Shanghai Stock Exchange”, ESG Asia 2012 Special Report p24*
[xxvi] *Lindsey Lim (BSR Beijing Office), “Insights for Improving CSR Disclosure by Companies Listed on the Shanghai Stock Exchange”, ESG Asia 2012 Special Report p24*
[xxv] *Sustainable Stock Exchanges, p22*

Discussion Topics For The Roundtable

Participants in the Roundtable will be asked to discuss some of the following topics. Sample questions have been provided.

- The Reporting Process
  - How can companies most cost-efficiently develop reporting capacity?
  - Should sustainability reporting focus on the GRI, an evolving reporting framework, or the ISO26000, a stable sustainability framework?
  - Does the process of reporting change the way in which companies think and interact?
- The Business Benefits of Reporting
  - How can companies increase the impact/accessibility of their sustainability report on/for their stakeholders?
  - How can societal/reputational dividends be developed most effectively?
  - How can the internal value of sustainability reporting be maximized?
  - How can the value of successive sustainability reports be maximized?
  - Is sustainability reporting of more value to consumers or business partners?
- The Barriers to Reporting
  - Is cost an acceptable excuse for not producing a sustainability report?
  - Where is the talent pipeline?
  - How can we persuade management of the impetus to report?
  - Is “too difficult” an acceptable excuse?
- Reporting in Singapore
  - What factors influence a company’s appetite to produce a sustainability report in Singapore?
  - If sustainability reporting becomes mandated, will the reputational value of the report be lessened? Will it become a less meaningful tool to engage with stakeholders?
  - Is GRI G4 a step too far for Singapore? What’s the right level?
- The Future of Reporting
  - Is GRI or ISO 26000 the right framework?
  - What will be the shape of sustainability reporting in 10 years?

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