EXECUTIVE GUIDE TO SUSTAINABILITY REPORTING STANDARDS

INTRODUCTION

The number of companies producing sustainability reports globally has never been higher. This is in response to strong national policies and growing expectations for greater disclosure on Environmental, Social and Governance (ESG) information from different stakeholders such as customers. Investors and lenders are also increasingly interested in ESG topics and their implications on a company's financial performance and long-term enterprise value.

In Singapore, sustainability reporting is a requirement for companies listed on the Singapore Exchange (SGX). For many, SGX's mandate in 2018 was the first time they had to navigate the sustainability reporting landscape and figure out how to comply with SGX's requirements.

With the growing demand for sustainability information, there has been an explosion in guidance, frameworks and standards to help companies disclose consistent, comparable and useful information.

This executive guide provides a brief overview of three key reporting frameworks and standards that business leaders should be aware of, as they make decisions about which to use and how best to integrate sustainable business practices into strategy and operations.

WHY SHOULD WE PRODUCE A SUSTAINABILITY REPORT?

Sustainability reporting may be driven by various factors, including:

1. **Compliance with regulations**
2. **Meeting stakeholder demands and expectations – e.g. investor or customer demands**
3. **Fostering a strong brand and reputation as a responsible and sustainable company**

> ***WHAT GETS REPORTED, GETS MEASURED, GETS MANAGED.***

While it is oftentimes initially an exercise in compliance, its value goes far beyond that. Sustainability reporting is an important part of stakeholder engagement and communication. It demonstrates transparency to stakeholders and holds the company accountable for the impacts that arise from its activities, serving to build trust with stakeholders in the process. The discipline and rigour involved in producing the report helps to drive continuous improvement and progress in embedding sustainability into the company.

WHICH REPORTING STANDARD BEST MEETS OUR NEEDS?

Once the purpose for producing a sustainability report is established, the company should aim to better understand i) who its key stakeholders are, ii) what issues matter to them, and iii) what sustainability information will be most relevant and useful for these stakeholders to assess the company's sustainability performance and make informed decisions. The company can then evaluate and select the reporting standard or framework that best meets the needs of its stakeholders.

Companies can reference more than one standard. As illustrated in the table below, each standard is designed to fulfil different purposes and can be used to complement another.

	GRI Standards	SASB Standards	<IR>Framework
GENERAL DESCRIPTION	The Global Reporting Initiative (GRI) Standards aim to help companies respond to the needs of all stakeholders, communicating their impacts on people and planet, i.e how the organisation is contributing to sustainable development.	The Sustainability Accounting Standards Board (SASB) Standards* aim to help companies communicate effectively with investors. They focus on industry-specific risks and opportunities that are most relevant to risk, return and long-term enterprise value.	Otherwise known as the Integrated Reporting Framework*, this aims to help support integrated thinking and decision making in companies through its integrated model of six capitals, to create value over the short, medium and long term.
TARGET AUDIENCE	Broad stakeholder base.	Investors and other providers of financial capital.	Investors and other providers of financial capital.
WHY USE	• Relevant for reporting to a broad stakeholder base beyond investors and providers of financial capital e.g. customers, employees, NGOs, etc. • Helps companies report their impact on sustainable development.	• Focuses reporting on the needs of investors and providers of financial capital. • Provides a simple set of sector-specific disclosures to report on.	• Facilitate integrated management of capital and value to provide a holistic view of business issues and performance. • Principles-based framework allows flexibility in interpretation and application.
ADDITIONAL CONSIDERATIONS	• More comprehensive; offers a set of universal and topic-specific Standards. • Does not cater specifically to any one audience e.g. investors.	• Companies must still determine what is material for their unique businesses. • Perspective focuses on financial impact on the company, but not what external impact it has on people and environment.	• Does not provide guidance on specific disclosures and indicators on performance. • Open interpretation may cause uncertainty in implementation.

**Note: In June 2021, the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) announced their merger to form The Value Reporting Foundation, with the goal to drive progress towards a more coherent and comprehensive corporate reporting system. The <IR> Framework and SASB Standards will remain complementary tools and the Value Reporting Foundation will provide further guidance on how to use both together.*

There is a breadth of other standards, frameworks and disclosure guidance that are topic-specific, sector focused, or based on international frameworks and national initiatives. One example is the Task Force on Climate-Related Financial Disclosures (TCFD). As governments and regulators around the world, including the Singapore Exchange (SGX), move towards mandatory climate-related disclosures, TCFD is a framework that can provide global alignment of practices and reporting standards on climate.

Below are a few examples of purpose-specific guidance and common international frameworks that companies may additionally incorporate into their sustainability reports.

Companies should consider whether the use of these other standards will help complement or enhance sustainability disclosures for their stakeholders.

Task Force on Climate-Related Financial Disclosures (TCFD)

The TCFD recommendations are designed to provide decision-useful, forward-looking information needed by investors, lenders, and insurance underwriters to appropriately assess and price climate-related risks and opportunities.

The recommendations are structured around four thematic areas: governance, strategy, risk management, and metrics and targets.

.

Topic-specific disclosures:	Sector-focused guidance:	Global frameworks/ guidance:	Assurance standards:
• TCFD (Task Force on Climate-related Financial Disclosures) • GHG Protocol • UN Guiding Principles on Business and Human Rights	• RSPO (Roundtable on Sustainable Palm Oil) • IPIECA (International Petroleum Industry Environmental Conservation Association)	• Sustainable Development Goals • Ten Principles of UN Global Compact • Science-based Targets initiative and the Paris Agreement	• AA1000 • ISAE 3000 / SSAE 3000

HOW SHOULD WE IDENTIFY WHAT OUR MATERIAL SUSTAINABILITY TOPICS ARE?

The principle of materiality is at the heart of each of the aforementioned sustainability reporting standards, although they take different approaches based on their respective purpose and audience.

Regardless of which standard is selected, companies should look to identify their material topics based on an understanding of both:

i. their **most significant impacts on the economy, environment and society**, and

ii. the **impact that ESG topics have on the organisation's ability to create value**.

The below table summarises some key differences for consideration:

	GRI Standards	SASB Standards	<IR> Framework
DEFINITION AND DETERMINATION OF MATERIAL TOPICS	• A topic is material if it reflects an organisation's significant economic, environmental, and social impacts; or substantively influence the assessments and decisions of stakeholders. • The GRI Framework provides guidance based on its Materiality principle but does not prescribe any methodology for materiality assessment; the process of determining materiality is undertaken by the organisation.	• A topic is financially material if omitting, misstating, or obscuring it could reasonably be expected to influence investment or lending decisions that users make based on their assessments of short-, medium-, and long-term financial performance and enterprise value. • SASB identifies financially material topics for each of the 77 industries covered; the organisation has to determine which industry standards and disclosure topics apply to it.	• A topic is material if it substantively affects the organisation's ability to create value over the short, medium and long term. • The <IR> Framework provides guidance on this process but does not prescribe any methodology for materiality assessment; the process of determining materiality is undertaken by the organisation.

IN SUMMARY

Developing a sustainability report should not be seen as a tick-box exercise. Companies should see reporting as an opportunity to tell their unique sustainability story, engage stakeholders and build trust.

The process of sustainability reporting itself is also an important exercise to drive performance improvement, enabling companies to systematically identify, manage and monitor ESG related risks and opportunities.

The content of a sustainability report should be grounded in the principle of materiality and written with the needs of the target audiences in mind, in order to provide decision-useful information.

Ultimately, standards, frameworks and guidance exist to improve corporate practices on reporting. However, these should be applied based on a company's context, needs and objectives to ensure effective reporting.

Sustainability reporting is a journey of continuous improvement. The risks and opportunities facing companies will change, as will the needs and expectations of their stakeholders. Resilient companies must learn to integrate sustainable business practices and transform to ensure that they remain relevant in this changing sustainability landscape and stay focused on creating value over the long-term.

Useful Links:

- The Sustainability Reporting Journey: What's Next?
- A Practical Guide to Sustainability Reporting Using GRI and SASB Standards
- The Integrated Reporting Framework
- The GRI Standards
- The SASB Standards
- The Value Reporting Foundation
- The Future of Reporting

This Executive Guide is brought to you by:

Global Compact Network Singapore

Global Compact Network Singapore (GCNS) is the local chapter of the United Nations Global Compact. As the leading voice on corporate sustainability, GCNS drives multi-stakeholder action to forge a more sustainable future, founded on the Ten Principles of the United Nations Global Compact and the Sustainable Development Goals. Through various platforms and partnerships, GCNS advances the stewardship of sustainable business practices and Singapore's national agenda of becoming a regional sustainable business hub.

Corporate Citizenship

Corporate Citizenship is a global consulting firm, specialising in responsible and sustainable business. We draw on over 24 years' experience of advising our clients to develop and implement strategies that deliver long-term value for all stakeholders. Corporate Citizenship is more than just our company name. It is a statement about the role business should play in society. We work with businesses that want to use their resources and capabilities to secure a more prosperous, equitable and healthy society today, and for future generations. Corporate Citizenship is part of SLR, a global leader in environmental and advisory solutions: helping clients achieve their sustainability goals.