

Sustainability Reporting & Climate-Related Disclosures

Presentation by
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- Advises and conducts training for boards on corporate governance, SGX listing rules, charity governance and regulations, risk management, sustainability reporting, family business governance and succession planning.
- Teaches at Singapore Management University, Singapore University of Social Sciences, Social Service Institute & the Institute of Singapore Chartered Accountants.
- Written many articles on the subject of corporate governance, risk management & internal control, corporate oversight, and sustainability reporting. His management concepts, “Four pillars of effective corporate oversight” and “Eight drivers of effective risk management” have been adopted by many organizations.
- Many years of experience serving as both executive director and independent director of listed companies. His board experiences include non-executive chairman, lead independent director, chairman of audit & risk committee, chairman of remuneration committee & member of nominating committee.
- He is also chairman of the audit committee & member of risk oversight committee of two banks.

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- Enhancing credibility of ESG reporting
- Implementation of TCFD



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- Compliance with both the new GRI Standards & phased adoption of TCFD
- Implementation examples





ROLE OF THE BOARD

Knowing your responsibilities

SGX Practice Note 7.6 Sustainability Reporting Guide

Clause 3.1 Board Responsibility

- The Board **has ultimate responsibility** for the issuer's sustainability reporting
- 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 & 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
- If **any question is raised** regarding the issuer's sustainability reporting, the Board and management should **make sure it is addressed**

The organization shall:

- a) describe the role of the highest governance body and of senior executives in **developing, approving, and updating** the organization's purpose, value or mission statements, **strategies, policies, and goals related to sustainable development**;
- b) describe the role of the highest governance body in **overseeing** the organization's due diligence and other **processes to identify and manage the organization's impacts** on the economy, environment, and people, including:
 - i. whether and how the highest governance body **engages with stakeholders** to support these processes;
 - ii. how the highest governance body **considers the outcomes** of these processes;
- c) Describe the role of the highest governance body in **reviewing the effectiveness of the organization's processes** as described in 2-12-b, & report the **frequency of this review**

The organization shall:

- a) describe how the highest governance body **delegates responsibility** for managing the organization's impacts on the economy, environment, and people, including:
 - i. whether it has appointed any **senior executives** with responsibility for the management of impacts;
 - ii. whether it has delegated responsibility for the management of impacts to **other employees**;
- b) describe the **process and frequency** for senior executives or other employees **to report back** to the highest governance body on the management of the organization's impacts on the economy, environment, and people.

The organization shall:

- a) report whether the highest governance body is **responsible for reviewing and approving the reported information**, including the organization's **material topics**, and if so, describe the process for reviewing and approving the information;
- b) if the highest governance body is not responsible for reviewing and approving the reported information, including the organization's material topics, explain the reason for this.

Statement of the Board

SGX Practice Note 7.6 Clause 4.1 (f) Board Statement

The sustainability report should contain a statement of the Board that it has:

- considered sustainability issues in the issuer's **business & strategy**;
- determined the **material ESG factors**;
- overseen the management and **monitoring** of the material ESG factors
- In addition, the sustainability report should **describe the roles** of the Board & the management in the governance of sustainability issues

GRI 1: Requirement 8 - Statement of use

- b) The organisation is required to report **whether the highest governance body is responsible for reviewing and approving the reported information, including the material topics**



REPORTING STANDARDS

Overview of GRI Standards

ESG Reporting Frameworks mentioned in SGX Practice Note 7.6

GRI Standards

- GRI was founded in Boston in 1997 following public outcry over the environmental damage of the Exxon Valdez oil spill. With involvement of the UN Environment Programme, the aim was to create the first accountability mechanism to ensure companies adhere to responsible environmental conduct principles, which was then broadened to include social, economic and governance issues.

Integrated Reporting

- The main objective of integrated reporting is to explain to capital providers how an organization creates value over the short, medium and long term. The focus of integrated reporting is on providers of financial capital because they influence how capital is allocated
- The six capitals are financial, manufactured, intellectual, human, social and relationship, and natural

SASB

- SASB Standards identify the subset of environmental, social, and governance issues most relevant to financial performance in each of 77 industries. They are designed to help companies disclose financially-material sustainability information to investors.

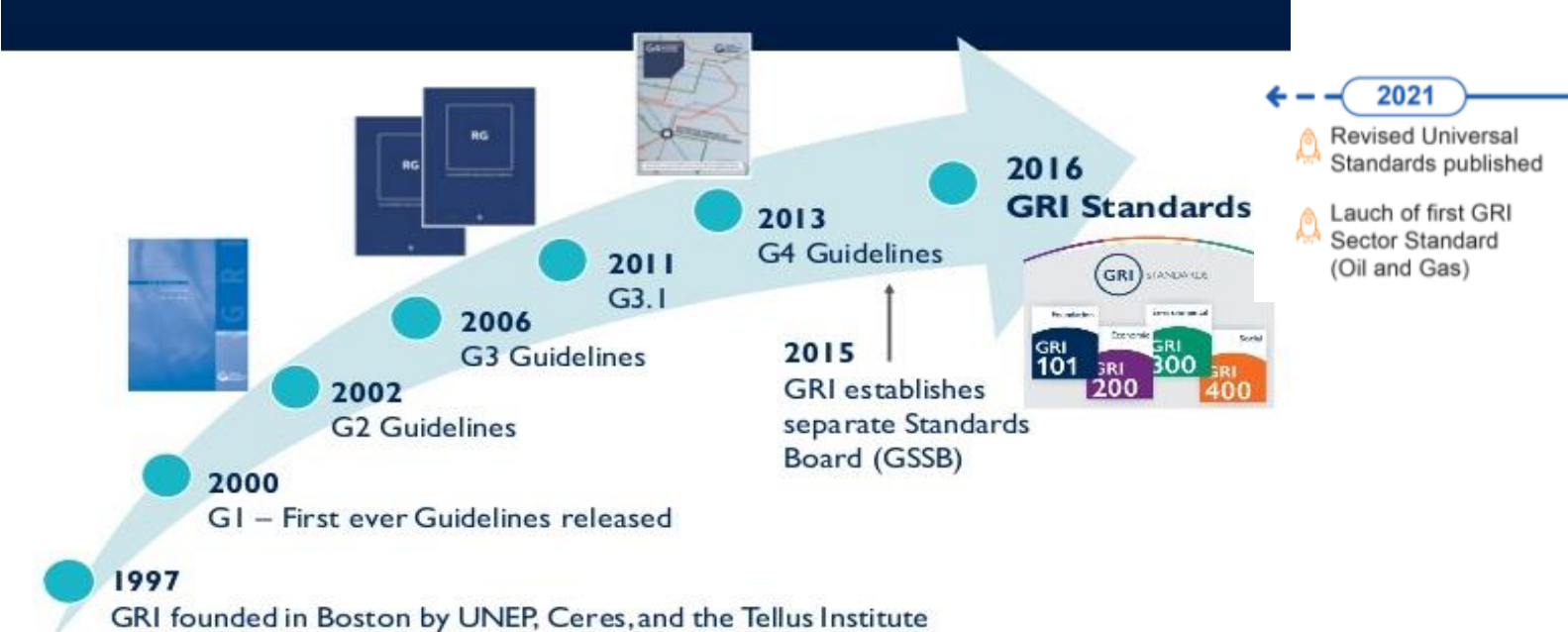
TCFD

- Task Force on Climate-Related financial Disclosure
- Focuses on climate related aspects
- Core elements of the disclosure are Governance, Strategy, Risk Management, & Metrics & Targets

UN Sustainable Development Goals



Background on GRI



Structure of GRI Standards 2016

GRI 101 Foundation		
Reporting Principles for defining reporting content <ul style="list-style-type: none"> Stakeholder inclusiveness Sustainability context 		Reporting Principles for defining reporting quality <ul style="list-style-type: none"> Materiality Completeness
		<ul style="list-style-type: none"> Accuracy Comparability
		<ul style="list-style-type: none"> Balance Reliability
		<ul style="list-style-type: none"> Clarity Timeliness
GRI 102 General Disclosure		
GRI102-1 to GRI102-56: total 56 general disclosures		
GRI 103 Management Approach		
GRI 103-1 Material topic and Boundary		
GRI 103-2 Management approach and its components		
GRI 103-3 Evaluation of Management approach		
GRI 200 Economic	GRI 300 Environment	GRI 400 Social
7 material topics 17 disclosures	8 material topics 32 disclosures	19 material topics 40 disclosures

Total of 34 topics & combined total of 89 Management approach disclosures & topic specific disclosures

GRI Standards 2016 – 34 Topics

Economic	Environment	Social
<ul style="list-style-type: none"> 201 Economic Performance 202 Market Presence 203 Indirect Economic Impact 204 Procurement Practices 205 Anti-Corruption 206 Anti-Competitive Behaviour 207 Tax 	<ul style="list-style-type: none"> 301 Materials 302 Energy 303 Water and Effluents 304 Biodiversity 305 Emissions 306 Waste 307 Environmental Compliance 308 Supplier Environment Assessment 	<ul style="list-style-type: none"> 401 Employment 402 Labour/Management Relations 403 Occupational Health & Safety 404 Training & Education 405 Diversity & Equal Opportunity 406 Non-Discrimination 407 Freedom of Association 408 Child Labour 409 Forced or Compulsory Labour 410 Security Practices 411 Rights of Indigenous Peoples 412 Human Rights Assessment 413 Local Communities 414 Supplier Social Assessment 415 Public Policy 416 Customer Health & Safety 417 Marketing & Labelling 418 Customer Privacy 419 Socioeconomic Compliance

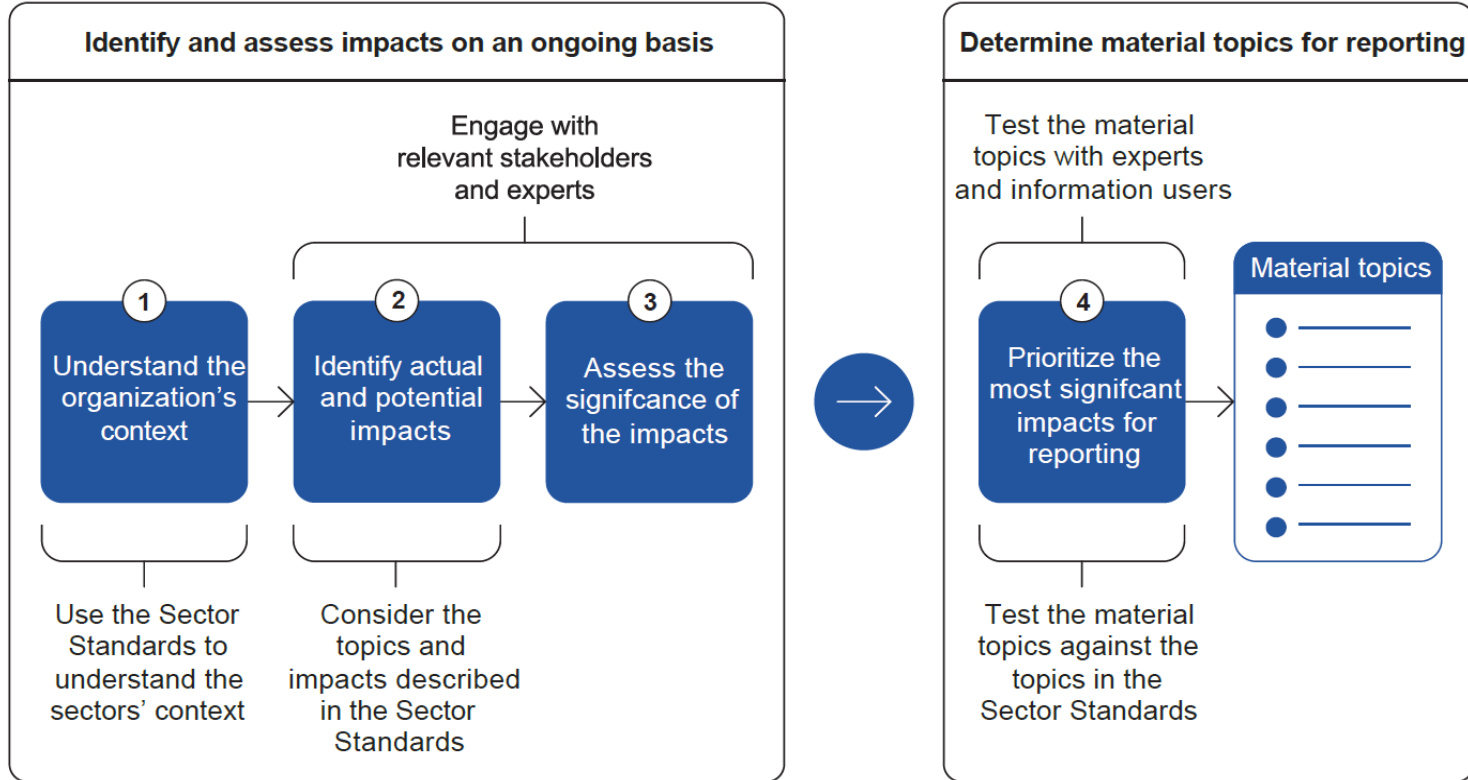


MATERIALITY ASSESSMENT

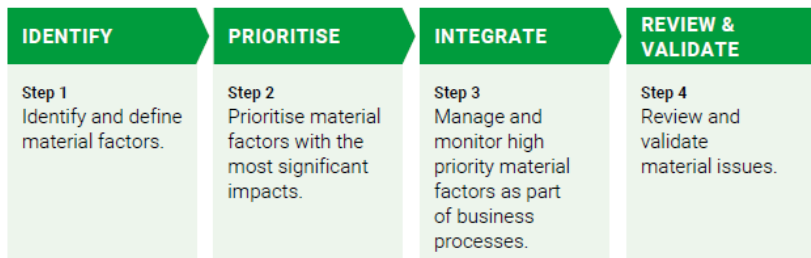
A key step in sustainability reporting

GRI 3: Material Topics 2021

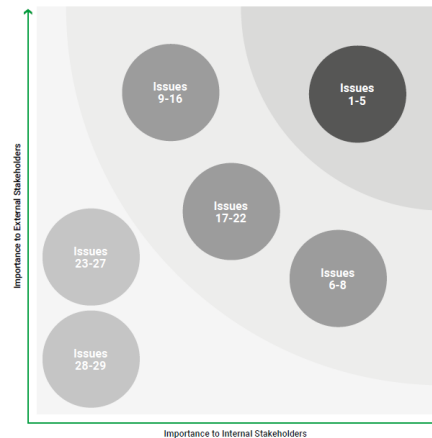
1. Guidance to determine material topics



OUR MATERIALITY PROCESS FOCUSES ON THE MOST IMPORTANT SUSTAINABILITY-RELATED ISSUES, OPPORTUNITIES AND RISKS FROM THE PERSPECTIVE OF OUR STAKEHOLDERS.



MATERIALITY MATRIX



Ranking of material issues in terms of relative importance to stakeholders

1. Business Ethics & Integrity
2. Corporate Governance
3. Product Safety & Quality
4. Cyber Security & Data Protection
5. Occupational Health & Safety
6. Economic Performance
7. Training & Development
8. Talent Attraction & Retention
9. Economic Contribution to Society
10. Customer Service Engagement
11. Waste Management
12. Water Management
13. Emissions
14. Energy Management
15. Sustainable Design
16. Climate Action
17. Research & Development
18. Sustainable Supply Chain Management
19. Capital Allocation & Asset Management
20. Labour & Human Rights
21. Diversity & Inclusion
22. Community Development
23. Fair Treatment of Suppliers

STRATEGIC PILLAR:
ENVIRONMENTAL STEWARDSHIP

Material ESG issues:

- Climate Action
- Environmental Management

STRATEGIC PILLAR:
RESPONSIBLE BUSINESS

Material ESG issues:

- Economic Sustainability
- Corporate Governance and Risk Management
- Supply Chain and Responsible Procurement
- Product Quality and Safety

STRATEGIC PILLAR:
PEOPLE AND COMMUNITY

Material ESG issues:

- Occupational Safety and Health
- Labour Practices, Talent Management and Human Rights
- Community Development

Example of prioritization of material topics

Focus Areas	GRI Material Topics	Where the impact occurs
Focus 1: Governance and Ethics	<ul style="list-style-type: none"> • Anti-corruption • Tax • Socioeconomic compliance • Environmental compliance • Customer privacy • Child Labour and Forced Labour 	Group wide
Focus 2: Innovation	<ul style="list-style-type: none"> • Indirect Economic Impacts 	Construction Division Telecommunication Division
Focus 3: Environmental Responsibility	<ul style="list-style-type: none"> • Energy 	Group wide
	<ul style="list-style-type: none"> • Water and Effluents 	Construction Division
	<ul style="list-style-type: none"> • Waste 	Construction Division
Focus 4: Product Responsibility	<ul style="list-style-type: none"> • Customer Health and Safety • Supplier Social Responsibility Assessment 	Construction Division General Trading Division Telecommunication Division
Focus 5: Our People	<ul style="list-style-type: none"> • Employment • Occupational Health and Safety • Diversity and Equal Opportunity 	Group wide



GRI STANDARDS OCTOBER 2021

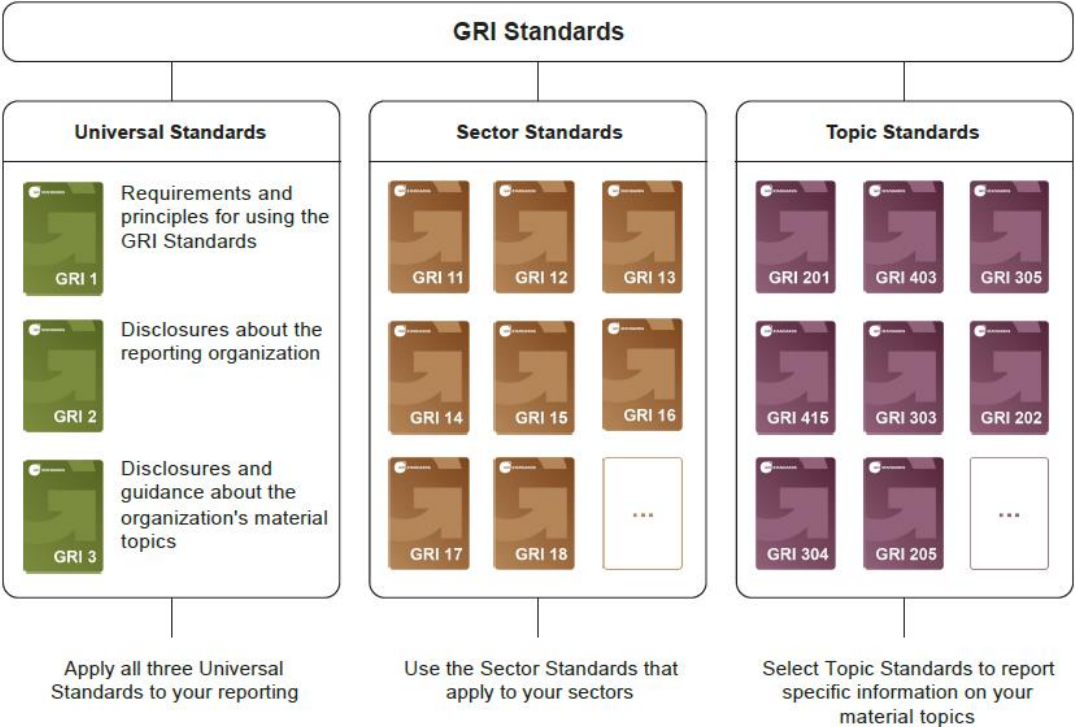
Implications for your next Sustainability Report

Structure of GRI Standards 2016

GRI 101 Foundation		
Reporting Principles for defining reporting content <ul style="list-style-type: none"> Stakeholder inclusiveness Sustainability context 	<ul style="list-style-type: none"> Materiality Completeness 	Reporting Principles for defining reporting quality <ul style="list-style-type: none"> Accuracy Comparability Balance Reliability Clarity Timeliness
GRI 102 General Disclosure		
GRI102-1 to GRI102-56: total 56 general disclosures		
GRI 103 Management Approach		
GRI 103-1 Material topic and Boundary		
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GRI 103-3 Evaluation of Management approach		
GRI 200 Economic	GRI 300 Environment	GRI 400 Social
7 material topics 17 disclosures	8 material topics 32 disclosures	19 material topics 40 disclosures

Total of 34 topics & combined total of 89 Management approach disclosures & topic specific disclosures

GRI Standards 2021: Effective from reports issued on or after 1 Jan 2023



GRI Standards
<https://www.globalreporting.org/standards/download-the-standards/>

GRI Standards 2016 – 34 Topics

Economic	Environment	Social
201 Economic Performance 202 Market Presence 203 Indirect Economic Impact 204 Procurement Practices 205 Anti-Corruption 206 Anti-Competitive Behaviour 207 Tax	301 Materials 302 Energy 303 Water and Effluents 304 Biodiversity 305 Emissions 306 Waste 307 Environmental Compliance 308 Supplier Environment Assessment	401 Employment 402 Labour/Management Relations 403 Occupational Health & Safety 404 Training & Education 405 Diversity & Equal Opportunity 406 Non-Discrimination 407 Freedom of Association 408 Child Labour 409 Forced or Compulsory Labour 410 Security Practices 411 Rights of Indigenous Peoples 412 Human Rights Assessment 413 Local Communities 414 Supplier Social Assessment 415 Public Policy 416 Customer Health & Safety 417 Marketing & Labelling 418 Customer Privacy 419 Socioeconomic Compliance

307 & 419 moved to 2-27, GRI 2 General Disclosure 2021

Structure of GRI Standards 2021

GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

GRI 3: Material Topics 2021

GRI 11: Oil and Gas Sector 2021

GRI 201: Economic Performance 2016

GRI 202: Market Presence 2016

GRI 203: Indirect Economic Impacts 2016

GRI 204: Procurement Practices 2016

GRI 205: Anti-corruption 2016

GRI 206: Anti-competitive Behavior 2016

GRI 207: Tax 2019

GRI 301: Materials 2016

GRI 302: Energy 2016

GRI 303: Water and Effluents 2018

GRI 304: Biodiversity 2016

GRI 305: Emissions 2016

GRI 306: Waste 2020

GRI 308: Supplier Environmental Assessment 2016

GRI 401: Employment 2016

GRI 402: Labor/Management Relations 2016

GRI 403: Occupational Health and Safety 2018

GRI 404: Training and Education 2016

GRI 405: Diversity and Equal Opportunity 2016

GRI 406: Non-discrimination 2016

GRI 407: Freedom of Association and Collective Bargaining 2016

GRI 408: Child Labor 2016

GRI 409: Forced or Compulsory Labor 2016

GRI 410: Security Practices 2016

GRI 411: Rights of Indigenous Peoples 2016

GRI 413: Local Communities 2016

GRI 414: Supplier Social Assessment 2016

GRI 415: Public Policy 2016

GRI 416: Customer Health and Safety 2016

GRI 417: Marketing and Labeling 2016

GRI 418: Customer Privacy 2016

Two “in-accordance” with GRI Standards 2016

Criteria	Core	Comprehensive
Correct claim in any published materials	<i>“This report has been prepared in accordance with the GRI Standards: Core option”</i>	<i>“This report has been prepared in accordance with the GRI Standards: Comprehensive option”</i>
GRI 101 Foundation	Fully comply	
GRI 101 Foundation	Reporting Principles for defining reporting content: <ul style="list-style-type: none"> ▪ Stakeholder inclusiveness ▪ Sustainability context ▪ Materiality ▪ Completeness 	Reporting Principles for defining reporting quality: <ul style="list-style-type: none"> ▪ Accuracy ▪ Comparability ▪ Balance ▪ Reliability ▪ Clarity ▪ Timeliness
GRI102 General Disclosure	Comply the following 31 disclosures: <ul style="list-style-type: none"> ▪ Organization profile (102-1 to 13) ▪ Strategy (102-14) ▪ Ethics and Integrity (102-16) ▪ Governance (102-18) ▪ Stakeholder engagement (102-40 to 44) ▪ Reporting practice (102-45 to 56) 	Fully comply with 56 disclosures: <ul style="list-style-type: none"> ▪ 102-15: Key impacts, risks & opportunities ▪ 102-17: Mechanisms for advice & concerns ▪ 102-19 to 39: Additional governance disclosure
GRI 103 Management Approach	Fully comply	
GRI 103 Management Approach	<ul style="list-style-type: none"> ▪ Why topic is material, impact & boundary 	<ul style="list-style-type: none"> ▪ How topic is managed ▪ Evaluation & adjustment
GRI 200 (17) ,300 (32) & 400 (40) series (Total 89)	<ul style="list-style-type: none"> ▪ Comply with all Management Approach disclosures ▪ At least one topic-specific disclosure 	<ul style="list-style-type: none"> ▪ Comply with all Management Approach disclosures ▪ All topic-specific disclosures

GRI Topic Standards & Disclosures

Category: Economic		
Topic: Economic Performance		
201-1	Topic Disclosures	Direct economic value generated and distributed
201-2		Financial Implications & other risks & opportunities due to climate change
201-3		Defined benefit plan obligations & other retirement plans
201-4		Financial assistance received from government
Topic: Market Presence		
202-1	Topic Disclosures	Ratios of standard entry level wage by gender compared to local minimum wage
202-2		Proportion of senior management hired from the local community
Topic: Indirect Economic Impacts		
203-1	Topic Disclosures	Infrastructure investments and services supported
203-2		Significant indirect economic impacts
Topic: Procurement Practices		
204-1	Topic Disclosures	Proportion of spending on local suppliers
Topic: Anti-corruption		
205-1	Topic Disclosures	Operations assessed for risks related to corruption
205-2		Communication & training about anti-corruption policies & procedures
205-3		Confirmed incidents of corruption & actions taken

GRI Topic Standards & Disclosures

Category: Economic		
Topic: Anti-competitive Behaviour		
206-1	Topic Disclosures	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices
Topic: Tax		
207-1	Management Disclosures	Approach to tax
207-2		Tax governance, control, and risk management
207-3		Stakeholder engagement and management of concerns related to tax
207-4	Topic Disclosures	Country-by-country reporting
Category: Environmental		
Topic: Materials		
301-1	Topic Disclosures	Materials used by weight or volume
301-2		Recycled input materials used
301-3		Reclaimed products and their packaging materials
Topic: Energy		
302-1	Topic Disclosures	Energy consumption within the organization
302-2		Energy consumption outside of the organization
302-3		Energy intensity
302-4		Reduction of energy consumption
302-5		Reductions in energy requirements of products & services

GRI Topic Standards & Disclosures

Category: Environmental		
Topic: Water and Effluents		
303-1	Management Disclosure	Interactions with water as a shared resource
303-2		Management of water discharge-related impacts
303-3	Topic Disclosure	Water withdrawal
303-4		Water discharge
303-5		Water consumption
Topic: Biodiversity		
304-1	Topic Disclosures	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas
304-2		Significant impacts of activities, products, and services on biodiversity
304-3		Habitat protected or restored
304-4		IUCN Red List species and national conservation list species with habitats in areas affected by the operations

GRI Topic Standards & Disclosures

Category: Environment		
Topic: Emissions		
305-1	Topic Disclosures	Direct (Scope 1) GHG emissions
305-2		Energy indirect (Scope 2) GHG emissions
305-3		Other indirect (Scope 3) GHG emissions
305-4		GHG emissions intensity
305-5		Reduction of GHG emissions
305-6		Emissions of ozone-depleting substances (ODS)
305-7		NOx, SOx, and other significant air emissions
Topic: Waste		
306-1	Management Disclosures	Waste generation and significant waste-related impacts
306-2		Management of significant waste-related impacts
306-3	Topic Disclosures	Waste generated
306-4		Waste diverted from disposal
306-5		Waste directed to disposal
Topic: Environmental Compliance		
307-1	Topic-specific	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations
Topic: Supplier Environmental Assessment		
308-1	Topic Disclosures	New suppliers that were screened using environmental criteria
308-2		Negative environmental impacts in the supply chain & actions taken

GRI Topic Standards & Disclosures

Category: Social		
Topic: Employment		
401-1	Topic Disclosures	New employee hires and employee turnover
401-2		Benefits provided to full-time employees that are not provided to temporary or part-time employees
401-3		Parental leave
Topic: Labour/Management Relations		
402-1	Topic Disclosures	Minimum notice periods regarding operational changes
Topic: Occupational Health and Safety		
403-1	Management Disclosures	Occupational health and safety management system
403-2		Hazard identification, risk assessment, and incident investigation
403-3		Occupational health services
403-4		Worker participation, consultation, and communication on occupational health and safety
403-5		Worker training on occupational health and safety
403-6		Promotion of worker health
403-7		Prevention and mitigation of occupational health and safety impacts directly linked by business relationships
403-8	Topic Disclosures	Workers covered by an occupational health and safety management system
403-9		Work-related injuries
403-10		Work-related ill health

GRI Topic Standards & Disclosures

Category: Social		
Topic: Training and Education		
404-1	Topic Disclosures	Average hours of training per year per employee
404-2		Programs for upgrading employee skills & transition assistance programs
404-3		Percentage of employees receiving regular performance and career development reviews
Topic: Diversity and Equal Opportunity		
405-1	Topic Disclosures	Diversity of governance bodies & employees
405-2		Ratio of basic salary and remuneration of women to men
Topic: Non-discrimination		
406-1	Topic Disclosures	Incidents of discrimination and corrective actions taken
Topic: Freedom of Association and Collective Bargaining		
407-1	Topic Disclosures	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk
Topic: Child Labour		
408-1	Topic Disclosures	Operations and suppliers at significant risk for incidents of child labour
Topic: Forced or Compulsory Labour		
409-1	Topic Disclosures	Operations and suppliers at significant risk for incidents of forced or compulsory labour
Topic: Security Practices		
410-1	Topic Disclosures	Security personnel trained in human rights policies or procedures

GRI Topic Standards & Disclosures

Category: Social		
Topic: Rights of Indigenous People		
411-1	Topic Disclosures	Incidents of violations involving rights of indigenous peoples
Topic: Human Rights Assessment		
412-1	Topic-specific	Operations that have subject to human rights reviews or impact assessments
412-2		Employee training on human rights policies or procedures
412-3		Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening
Topic: Local Communities		
413-1	Topic Disclosures	Operations with local community engagement, impact assessments & development programs
413-2		Operation with significant actual & potential negative impacts on local communities
Topic: Supplier Social Assessment		
414-1	Topic Disclosures	New suppliers that were screened using social criteria
414-2		Negative social impacts in the supply chain and actions taken
Topic: Public Policy		
415-1	Topic Disclosures	Political Contributions
Topic: Customer Health and Safety		
416-1	Topic Disclosures	Assessment of the health & safety impacts of product & service categories
416-2		Incidents of non-compliance concerning the health & safety impacts of products & services
Topic: Marketing and Labelling		
417-1	Topic Disclosures	Requirements for product and service information and labelling
417-2		Incidents of non-compliance concerning product and service information and labelling
417-3		Incidents of non-compliance concerning marketing communications
Topic: Customer Privacy		
418-1	Topic Disclosures	Substantiated complaints concerning breaches of customer privacy & losses of customer data
Topic: Socioeconomic Compliance		
419-1	Topic-specific	Non-compliance with laws & regulations in the social & economic area

GRI 1: Reporting in accordance with the GRI Standards

Requirement 5: Reporting of disclosures from GRI Topic Standards

The organisation shall:

- a) report disclosures from the GRI Topic Standards for each material topic:
 - For each material topic, the organisation needs to **identify disclosures from the GRI Topic Standards to report**. The organisation is required to **report only those disclosures relevant** to its impacts in relation to a material topic. The organisation is not required to report disclosures that are not relevant. There is no requirement for a minimum number of disclosures to report from the Topic Standards. The number of disclosures that the organisation reports is based on its assessment of which disclosures are relevant to its impacts in relation to a material topic.
 - **Reasons for omission are permitted for all disclosures** from the Topic Standards. If the organisation cannot comply with a disclosure or with a requirement in a disclosure, then the organisation is required to specify in the GRI content index the disclosure or the requirement it cannot comply with, and provide a reason for omission with an explanation.
- b) for each material topic covered in the applicable GRI Sector Standard(s), either:
 - i. report the disclosures from the GRI Topic Standards listed for that topic in the Sector Standard(s), or;
 - ii. provide the 'not applicable' reason for omission and the required explanation in the GRI content index.

GRI 1: Reporting in accordance with the GRI Standards

Requirement 6: Provide reasons for omission of a disclosure

Table 1. Permitted reasons for omission and required explanations

REASON FOR OMISSION	REQUIRED EXPLANATION
Not applicable	Explain why the disclosure or the requirement is considered not applicable.
Legal prohibitions	Describe the specific legal prohibitions.
Confidentiality constraints	Describe the specific confidentiality constraints.
Information unavailable/ incomplete	Specify which information is unavailable or incomplete. When the information is incomplete, specify which part is missing (e.g., specify the entities for which the information is missing). Explain why the required information is unavailable or incomplete. Describe the steps being taken and the expected time frame to obtain the information.

Claims of Reporting in accordance with GRI Standards & Notifying GRI of the use of the Standards

GRI 2016

Disclosure 102-54:

Either:

- i. “This report has been prepared in accordance with the GRI Standards: Core option”; or
- ii. “This report has been prepared in accordance with the GRI Standards: Comprehensive option

GRI 101, Section 3.4:

The reporting organization shall notify of its use of the GRI Standards, & the claim it has made in the report or published material, by either:

3.4.1: sending a copy to GRI at

standards@globalreporting.org; or

3.4.2: registering the report or published material at www.globalreporting.org/standards

GRI 2021

GRI 1: Requirement 8 - Statement of use

- a) [Name of organisation] has reported in accordance with the GRI Standards for the period from ddmmyyyy to ddmmyyyy.
- b) The organisation is required to report **whether the highest governance body is responsible for reviewing and approving the reported information, including the material topics**

GRI 1: Requirement 9 - Notify GRI

- a) Notify GRI by email to: reportregistration@globalreporting.org, with:
 - Legal name of the organisation
 - Link to the GRI content index
 - Link to the report, if publishing a standalone SR report
 - The statement of use
 - Contact person and details



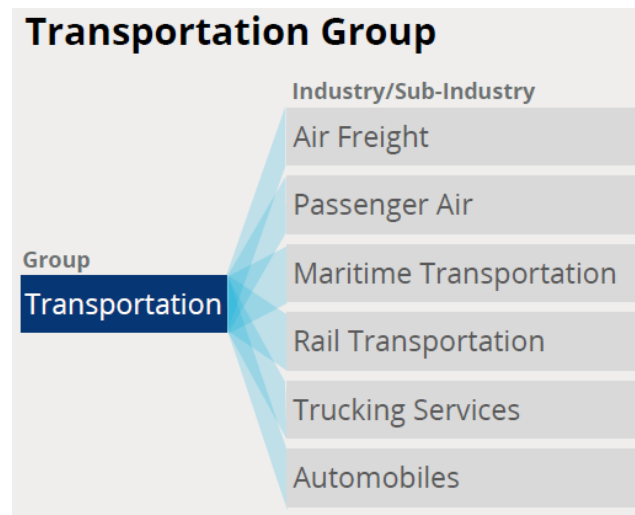
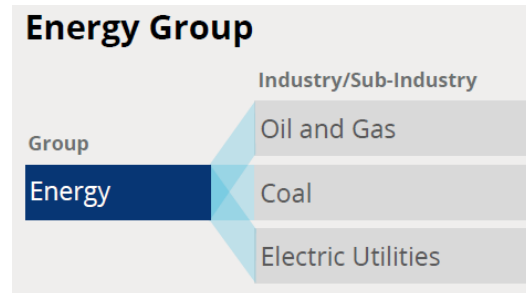
SGX LISTING RULES ENHANCEMENT

15 December 2021

Key points of ESG related SGX Listing Rules effective 1 Jan 2022

1. Applicable to reports for financial years beginning from 1 Jan 2022
2. Climate related disclosures consistent with recommendations of TCFD
3. Report to be issued within 4 months (5 months if has external assurance)
4. Sustainability reporting process must be subject to internal review
5. May additionally commission an independent external assurance
6. All directors must undergo prescribed training on sustainability matters
7. TCFD is on Comply or Explain basis for all companies for FY from 1 Jan 2022
8. Financial, Agriculture, Food & Forest Products, Energy: Mandatory from 1 Jan 2023
9. Materials & Buildings, Transportation: Mandatory from 1 Jan 2024
10. SGX has a suggested 3-years phased approach to implement TCFD

SGX Prioritized Industry Sectors : “Financial” Plus the following





ENHANCING THE CREDIBILITY OF ESG REPORTING

Internal Review & External Assurance

GRI 1: Foundation 2021

Section 5.2: Enhancing the credibility of sustainability reporting

There are several ways in which an organization can enhance the credibility of its sustainability reporting. These include the use of:

- a) Internal controls (see subsequent pages)
- b) External assurance (see subsequent pages)
- c) Stakeholder or expert panels
 - The organization can also convene a stakeholder or expert panel to seek views on its approach to sustainability reporting or for advice on the information to be reported.

The organization is not required to apply these methods when reporting in accordance with the GRI Standards but **is encouraged** to do so.

GRI 2: General Disclosure 2021

Section 1: The organization & its reporting practices

Disclosure 2-5: **External Assurance**

- a) Describe **policy & practice for seeking external assurance**, and whether the highest governance body & senior executives are involved
- b) If has been externally assured:
 - i. Provide the **link or reference to the external assurance report**
 - ii. Describe **what has been assured & on what basis** (including the assurance standards used, the level of assurance, & any limitations of the assurance process)
 - iii. Describe the **relationship** between the organization & the assurance provider

Internal Review (Internal Audit)

GRI 1: Foundation 2021

Section 5.2: Enhancing the credibility of sustainability reporting

Internal Controls

- The organization **should set up internal controls** to strengthen the integrity & credibility of its sustainability reporting.
- The organization **can also establish & maintain an internal audit function** as part of its processes for risk management **to further improve the credibility of its sustainability reporting**

SGX Practice Note 7.6 Clause 5.3:

- The **identified processes relating to sustainability reporting should be incorporated into the internal audit plan**, which should cover key aspects of the sustainability reporting; the **review may take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, as approved by the Audit Committee...**

External Assurance

GRI 1: Foundation 2021 Section 5.2 – External Assurance

- **In addition to internal controls**, the organization **should seek external assurance** ... to assess the quality & credibility of the qualitative & quantitative information reported...

SGX Practice Note 7.6 Clause 5.4 to 5.7:

- 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 & analysis undertaken
- The issuer **is encouraged to** consider independent external assurance **on selected important aspects** of its sustainability report even in its initial years expanding coverage in succeeding years
- Assurance standards examples: ISAE3000; SSAE3000; AA1000 or the ISO
- Disclose scope covered, identify of the external assure, the standards used & key findings

External Assurance

GRI 1: Foundation 2021

Section 5.2: Enhancing the credibility of sustainability reporting

External assurance

Assurance providers should be:

- ✓ **independent** from the organization and therefore able to reach impartial and objective conclusions about the organization's reporting and to publish these conclusions in a report that is publicly available;
- ✓ demonstrably competent in the **subject matter** and **assurance practices**;
- ✓ competent in applying **quality control** procedures to the assurance engagement;
- ✓ able to conduct the engagement in a manner that is systematic, documented, evidence-based, and characterized by defined procedures in line with **professional standards for assurance**;
- ✓ able to consider the **selection of the information reported** as well as its **accuracy**, and to assess whether the reporting provides a comprehensive picture of the organization's **most significant impacts and how it manages these impacts**;
- ✓ able to assess the extent to which the organization has applied the **GRI Standards** in formulating opinions or reaching conclusions.

Internal Audit/External Assurance – Suggested Scope of Work

GRI 1 Clause 5.2 External Assurance	Aspects of Sustainability Disclosures Cited in SGX Practice Note Clause 5.5	Suggested Scope of Work for Internal Audit/External Assurance
<ul style="list-style-type: none"> To reduce the risk in data quality & increase trust in the reported information 	a) Data & its associated data collection process	<ul style="list-style-type: none"> This is usually not verified by the external ESG consultant. Internal Audit to review processes & controls based on IIAS Standards; or External Auditor to provide Limited Assurance based on SSAE3000
<ul style="list-style-type: none"> How the organization manages the impacts 	b) Narratives (policies & practices)	<ul style="list-style-type: none"> This is usually not verified by the external ESG consultant. Internal Audit to review processes & controls based on IIAS Standards; or Most SSAE3000 Limited Assurance do not cover this aspect
<ul style="list-style-type: none"> Information has been prepared in accordance with reporting standards 	c) Compliance with the specific sustainability reporting framework	<ul style="list-style-type: none"> May not be applicable as this is the usual scope of work of the external ESG consultant engaged by the company to assist in drafting the sustainability report
<ul style="list-style-type: none"> Systems or processes to prepare the information (e.g. the process of determining material topics) 	d) Process to identify sustainability information reported	
N/A	e) Compliance with the Listing Rules	



IMPLEMENTATION OF TCFD

On Comply or Explain basis for FY on or after 1 Jan 2022

TCFD Recommendations – Transition Risks & Physical Risks



TCFD Recommendations – 4 Core Elements & 11 Disclosures

Recommendations and Supporting Recommended Disclosures			
Governance	Strategy	Risk Management	Metrics and Targets
<p>Disclose the organization's governance around climate-related risks and opportunities.</p>	<p>Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.</p>	<p>Disclose how the organization identifies, assesses, and manages climate-related risks.</p>	<p>Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.</p>
Recommended Disclosures	Recommended Disclosures	Recommended Disclosures	Recommended Disclosures
<p>a) Describe the board's oversight of climate-related risks and opportunities.</p>	<p>a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.</p>	<p>a) Describe the organization's processes for identifying and assessing climate-related risks.</p>	<p>a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.</p>
<p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>b) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.</p>	<p>b) Describe the organization's processes for managing climate-related risks.</p>	<p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks</p>
	<p>c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.</p>	<p>c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.</p>

Summary of Nestle 2020 TCFD Report

Governance	Strategy	Risk Management	Metrics & Targets																				
<p>a) Board</p> <ul style="list-style-type: none"> Sustainability Committee to provide strategic guidance on climate related matters 	<p>a) Risks & Opportunities</p> <ul style="list-style-type: none"> Transition: <table border="1" data-bbox="413 274 919 440"> <thead> <tr> <th>Scenario</th> <th>A</th> <th>B</th> <th>C</th> </tr> </thead> <tbody> <tr> <td>Policy</td> <td>Low</td> <td>Medium</td> <td>High</td> </tr> <tr> <td>Technology</td> <td>Low</td> <td>Low</td> <td>Medium</td> </tr> <tr> <td>Market</td> <td>Low</td> <td>Low</td> <td>Medium</td> </tr> <tr> <td>Reputation</td> <td>Low</td> <td>Low</td> <td>Medium</td> </tr> </tbody> </table> 	Scenario	A	B	C	Policy	Low	Medium	High	Technology	Low	Low	Medium	Market	Low	Low	Medium	Reputation	Low	Low	Medium	<p>a) Process to identify climate risks</p> <ul style="list-style-type: none"> Internal working group Partner with university <p>b) Process to manage climate related risks</p> <ul style="list-style-type: none"> Refer to Strategy (b) <p>c) Integrate climate risk assessment into ERM</p> <ul style="list-style-type: none"> Included in ERM framework & process Regular reporting to Board 	<p>a) Metrics used</p> <ul style="list-style-type: none"> Water efficiency % renewable energy GHG/mt product Waste disposal % of responsible sourcing <p>b) Scope 1, 2 & 3 emission:</p> <ul style="list-style-type: none"> No disclosure of absolute amount <p>c) Targets:</p> <ul style="list-style-type: none"> By 2025: <ol style="list-style-type: none"> 100% packaging in recycling or reusable Reduce use of virgin plastic by 1/3 Net Zero by 2050 Nestle waters to achieve water & carbon neutrality by 2025 Reduce direct water withdrawals per tonne by 35% from 2010
Scenario	A	B	C																				
Policy	Low	Medium	High																				
Technology	Low	Low	Medium																				
Market	Low	Low	Medium																				
Reputation	Low	Low	Medium																				
<p>b) Management</p> <ul style="list-style-type: none"> ESG Council to drive implementation of strategy & implementation of 2050 Net Zero roadmap At operational level, ESG strategy & development unit ESG related KPIs are in short-term bonus plan of Executive Board 	<ul style="list-style-type: none"> Physical: <table border="1" data-bbox="413 473 904 574"> <tbody> <tr> <td>Raw material supply</td> <td>Low</td> </tr> <tr> <td>Facility & distribution disruption</td> <td>Low</td> </tr> <tr> <td>Market disruption</td> <td>Low</td> </tr> </tbody> </table> <p>b) Impact on strategies</p> <p>Transition risks:</p> <ul style="list-style-type: none"> Policy: use our voice to galvanise regulatory & policy environment Technology: change the way we make our products Market: Adopt & embrace trend to meet market demand Reputation: transparent footprint & progress (SBTi Net Zero) <p>Physical:</p> <ul style="list-style-type: none"> Train farmers in method to mitigate impacts of climate change <p>c) Resilience:</p> <p>Scenario: (i) Use IPCC & IEA Climate Emission pathways; (ii) 5 years medium term only</p> <p>Resilience: (i) Key challenge is Transition risks; (ii) Nestle is resilience due to: Geographic scope; Supply chain flexibility; Diversify products; Leading brands; Capital strength</p>	Raw material supply	Low	Facility & distribution disruption	Low	Market disruption	Low																
Raw material supply	Low																						
Facility & distribution disruption	Low																						
Market disruption	Low																						

SGX Listing Rule on TCFD

Comply or Explain for all listed companies from FY beginning 1 Jan 2022

The issuer should provide climate-related disclosures, consistent with the TCFD recommendations. An issuer in any of the following industries identified by the TCFD as most affected by climate change and the transition to a lower-carbon economy will be prioritised to provide mandatory climate-related disclosures, consistent with the TCFD recommendations:

<u>For All Financial Years Commencing</u>	<u>Industry (as identified by TCFD)</u>
<u>1 January 2023</u>	<u>Financial</u> <u>Agriculture, Food and Forest Products</u> <u>Energy</u>
<u>1 January 2024</u>	<u>Materials and Buildings</u> <u>Transportation</u>

SGX Practice Note
7.6 Clause 7:
Illustration of
possible phased
approach in
implementing
TCFD

Primary Components	Adoption		
	Year 1	Year 2	Year 3
<u>Climate-related disclosures consistent with the TCFD recommendations</u>	<u>Described the governance structures, including Board oversight and management’s role</u> <u>Identified the climate-related risks and opportunities</u> <u>Described the processes for identifying and managing climate-related risks</u> <u>Impacts in qualitative terms</u> <u>Scope 1 and Scope 2 GHG emissions</u>	<u>Metrics used for assessment</u> <u>Impacts in more quantitative terms</u> <u>Scope 3 GHG emissions</u> <u>Targets in qualitative terms</u> <u>Conducted qualitative scenario analysis</u>	<u>Scenario analysis with more quantitative outcomes</u> <u>Targets in quantitative terms</u>

Difference Between GRI Standards & TCFD Recommendations

GRI 1 Foundation 2021

Introduction Clause 1.1:

- The GRI Standards enable an organization to publicly disclose **its most significant impacts (negative & positive)** on the economy, environment, and people, including impacts on human rights and how the organization manages these impacts.

Recommendations of TCFD, Executive Summary – Conclusion:

- ...climate-related financial reporting...provide a foundation to improve investor's and other's ability to appropriately assess and price climate-related risk and opportunities.
- ...the Task Force's recommendations aim to...advance the quality of mainstream financial disclosures related to the **potential effects of climate change on organizations today and in the future...**

GRI 1: Reporting in accordance with the GRI Standards

Requirement 5: Reporting of disclosures from GRI Topic Standards

The organisation shall:

- a) report disclosures from the GRI Topic Standards for each material topic:
 - For each material topic, the organisation needs to **identify disclosures from the GRI Topic Standards to report**. The organisation is required to **report only those disclosures relevant** to its impacts in relation to a material topic. The organisation is not required to report disclosures that are not relevant. There is no requirement for a minimum number of disclosures to report from the Topic Standards. The number of disclosures that the organisation reports is based on its assessment of which disclosures are relevant to its impacts in relation to a material topic.
 - **Reasons for omission are permitted for all disclosures** from the Topic Standards. If the organisation cannot comply with a disclosure or with a requirement in a disclosure, then the organisation is required to specify in the GRI content index the disclosure or the requirement it cannot comply with, and provide a reason for omission with an explanation.
- b) for each material topic covered in the applicable GRI Sector Standard(s), either:
 - i. report the disclosures from the GRI Topic Standards listed for that topic in the Sector Standard(s), or;
 - ii. provide the 'not applicable' reason for omission and the required explanation in the GRI content index.

GRI 1: Reporting in accordance with the GRI Standards

Requirement 6: Provide reasons for omission of a disclosure

Table 1. Permitted reasons for omission and required explanations

REASON FOR OMISSION	REQUIRED EXPLANATION
Not applicable	Explain why the disclosure or the requirement is considered not applicable.
Legal prohibitions	Describe the specific legal prohibitions.
Confidentiality constraints	Describe the specific confidentiality constraints.
Information unavailable/ incomplete	Specify which information is unavailable or incomplete. When the information is incomplete, specify which part is missing (e.g., specify the entities for which the information is missing). Explain why the required information is unavailable or incomplete. Describe the steps being taken and the expected time frame to obtain the information.

GRI Topic Standards & Disclosures

Category: Economic		
Topic: Economic Performance		
201-1	Topic Disclosures	Direct economic value generated and distributed
201-2		Financial Implications & other risks & opportunities due to climate change
201-3		Defined benefit plan obligations & other retirement plans
201-4		Financial assistance received from government
Topic: Market Presence		
202-1	Topic Disclosures	Ratios of standard entry level wage by gender compared to local minimum wage
202-2		Proportion of senior management hired from the local community
Topic: Indirect Economic Impacts		
203-1	Topic Disclosures	Infrastructure investments and services supported
203-2		Significant indirect economic impacts
Topic: Procurement Practices		
204-1	Topic Disclosures	Proportion of spending on local suppliers
Topic: Anti-corruption		
205-1	Topic Disclosures	Operations assessed for risks related to corruption
205-2		Communication & training about anti-corruption policies & procedures
205-3		Confirmed incidents of corruption & actions taken

GRI Economics Performance Topic Standard & Disclosures

Disclosure 201-2 Financial implications and other risks and opportunities due to climate change

The reporting organization shall report the following information:

- a. **Risks and opportunities posed by climate change that have the potential to generate substantive changes in operations, revenue, or expenditure, including:**
 - i. a description of the risk or opportunity and its classification as either physical, regulatory, or other;
 - ii. a description of the impact associated with the risk or opportunity;
 - iii. the financial implications of the risk or opportunity before action is taken;
 - iv. the methods used to manage the risk or opportunity;
 - v. the costs of actions taken to manage the risk or opportunity.

Compilation requirements

- 2.2 When compiling the information specified in Disclosure 201-2, if the reporting organization does not have a system in place to calculate the financial implications or costs, or to make revenue projections, it shall report its plans and timeline to develop the necessary systems.

- This is similar to Strategy (a) & (b) of TCFD disclosures
- We therefore recommend that companies begin to comply with GRI 201-2 while adopting the phased approach for TCFD
- Note that the new GRI Standards 2021 is applicable to reports issued on or after 1 Jan 2023 (not based on start of financial year)

Example of an electronic manufacturer with regional footprint

Risk	Imposition of higher carbon taxes	Negative customers perception	Production equipment not energy efficient	Increased cost of production
Category	Transition risk <ul style="list-style-type: none"> Policy and Legal 	Transition risk <ul style="list-style-type: none"> Reputation 	Transition risk <ul style="list-style-type: none"> Technology 	Transition risk <ul style="list-style-type: none"> Market
Description	Carbon taxes are already in place in several jurisdictions the Group operates in. In Singapore, the existing carbon tax rate of S\$5/tCO ₂ e is expected to increase from 2023 onwards. Meanwhile, Malaysia has announced plans for a carbon tax in the 12th Malaysia Plan 2021-2025.	If the Group's operations are deemed as threatening towards climate progress by customers and the wider society, it would impact the Group's reputation leading to loss of orders	Given the energy-intensive nature of our manufacturing operations, the shift towards net zero would call for drastic decarbonisation of our existing operations.	Academic studies have shown that where energy demand is driven by population and income growth alone, climate change increased the global demand for energy by up to 58%.
Time period	Medium, Long	Medium, Long	Medium, Long	Short, Medium and Long
Impacts	Higher tax and compliance costs associated with energy usage.	Reduced demand from customers due to perception of low energy efficiency/lack of climate action.	Emergency infrastructure changes might need to be made to optimise resource consumption.	With the increase in energy prices, cost of production will increase correspondingly. The impact of this will be seen across the supply chain as well.
Impact rating	Medium	Medium	Medium	Medium
Financial implications*	<ul style="list-style-type: none"> Higher tax burden 	<ul style="list-style-type: none"> Lower revenue, particularly from MNC customers 	<ul style="list-style-type: none"> Replacement or premature write-off of assets 	<ul style="list-style-type: none"> Higher operating costs
Management response	<ul style="list-style-type: none"> Extend ISO 14001 EMS certification to all plants by 2025 Target to retrofit our existing factories and apply for relevant green building certificates by 2025 Engagement external consultant to assess resource optimisation for all plants by 2025 	<ul style="list-style-type: none"> Engage customers via regular dialogue sessions to understand their concerns and make investments in new technologies to optimise resource efficiency Adheres to green manufacturing and green innovation and promotes a green corporate image through transparent disclosure Incorporate energy efficiency in assessment of vendors & contractors 	<ul style="list-style-type: none"> Continue to invest in research and development of energy-efficient processes Programme to invest in latest more energy efficient equipment 	<ul style="list-style-type: none"> Target to retrofit our existing factories and apply for relevant green building certificates by 2025 Engagement external consultant to assess resource optimisation for all plants by 2025

*Not yet quantified

Example of an electronic manufacturer with regional footprint

Risk	
Extreme weather events	
Category	Physical risk (both acute and chronic)
Description	Extreme weather changes such as more frequent and heavier precipitation would result in localised flooding. The impact of this would be much greater in the longer term for the coastal areas in which the Group operate in, with rising sea levels.
Time period	Medium and Long
Impacts	Acute one-off events can cause disruption to daily operations and proximate supply chain disruptions . In the longer term, rising sea levels might necessitate the relocation of manufacturing facilities in coastal regions.
Impact rating	Low
Financial implications*	<ul style="list-style-type: none"> Higher operating costs (volatile input prices, production delays) Impairment of assets Relocation costs Higher insurance premiums
Management response	<ul style="list-style-type: none"> Our current plants are not located in historic flood areas. However, we will continue to assess & monitor changes in weather patterns.

Opportunities	Adoption of clean energy	Increased demand in digital solutions
Category	<ul style="list-style-type: none"> Resource efficiency Energy source Resilience 	<ul style="list-style-type: none"> Products and services Markets
Description	As renewable energy and related green technology become more commonplace, this provides the Group with various opportunities to reduce our carbon footprint.	As organisations around the world embark on their automation journey and improve the efficiency of their businesses in line with climate change commitments, there is a need for innovative digital solutions and data analytics.
Time period	Medium, Long	Medium, Long
Impacts	The use of renewable energy in our operations would allow us to drive low-carbon green manufacturing and participate in the carbon trading/renewable energy market . This would in turn strengthen partnership with our customers and suppliers .	There is likely to be an industry-wide increase in demand for semiconductor chips . Our expertise in this field could enable us to develop services to deliver low-carbon products and increase energy efficiency for our customer's products
Impact rating	Medium	Medium
Financial implications*	<ul style="list-style-type: none"> Reduced operating costs Upfront capital expenditure, but possibly offset with available government grants Lower carbon tax burden 	<ul style="list-style-type: none"> Increase in revenue
Management response	<ul style="list-style-type: none"> Continue to explore new technologies to optimise resource efficiency Engage with sectoral trade associations to explore clean energy adoption and areas for collaboration 	<ul style="list-style-type: none"> We are well placed to tap on the growth of System Level Testing in Cloud, 5G, EV, IoT, and AI.

*Not yet quantified

Thank you
for your time
and attention