

Deloitte.

Sustainability
Reporting Strategy
Creating impact
through transparency



**MAKING AN
IMPACT THAT
MATTERS**
since 1845

Staying ahead in making sustainability tangible

Many stakeholders, including governments, financial regulators, and stock exchanges are paying more attention to the performance of organisations in view of their non-financial impacts.

What is sustainability reporting?

A sustainability report is a report published by an organisation on its material non-financial performance information, incorporating Environmental, Social, and Governance (ESG) concerns.

A sustainability report is the critical first step in implementing a strategy that can help an organisation to set goals, measure performance, manage sustainability-related impacts and risks, and understand how it drives value for its stakeholders.

Why is sustainability reporting important?

Multiple market developments and heightened regulatory and legal scrutiny indicate that the transparency and accuracy of sustainability reporting is increasingly important. In addition to NGOs and consumers, regulator and investors increasingly demand the communication of a thorough sustainability assessment and management of related risks and opportunities.

An increasing amount of financial instruments and business partners demand a clear assessment and articulation of the company's sustainability performance.

What are the benefits of sustainability reporting?

We cannot manage what we do not seek to understand. Sustainability reporting conveys disclosures of an organisation's negative impacts in addition to its positive impacts on the environment, society, and economy.

As sustainability reporting continues to mature and evolve, organisations can gain a better understanding of how sustainability issues impact their business and where opportunities for competitiveness and shareholder value can be found.

They can also build trust and credibility with a growing number of internal and external stakeholders that demand greater insights into how an organisation manages risks and opportunities related to material, environmental, social, and governance matters.

Below are some of the key drivers of value creation and protection to support your sustainability reporting strategy and help your organisation to communicate sustainability performance to the stakeholders.

Six key drivers of value creation and protection to support your organisation's sustainability reporting strategy

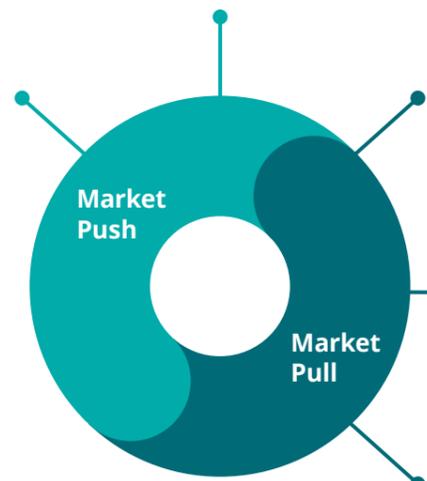
Examples of market drivers in the sustainability reporting landscape

National policies and regulations/ stock exchange listing rules:

- Bursa Malaysia published sustainability reporting guides for companies to adopt Task Force on Climate-Related Financial Disclosures (TCFD) recommendations¹
- Singapore Exchange (SGX) introduced sustainability reporting on a "comply or explain" basis and mandated all SGX-listed issuers to prepare a sustainability report yearly²
- SEC Philippines released the Sustainability Reporting Guidelines for Publicly Listed Companies and required companies to attach their sustainability reports to their annual reports³
- HKEX released the Environmental, Social and Governance Reporting Guide that set out the "comply or explain" matters, and encouraged disclosure of additional ESG issues and KPIs⁴
- Under Indonesia Financial Services Authority, all listed companies are required to publish sustainability reports⁵
- Thailand's SEC issued a new Corporate Governance Code which required that a company's board ensures adequate sustainability reporting⁶

Standard-setting and reporting initiatives:

- Global Reporting Initiative (GRI) Standards
- Sustainability Accounting Standards Board (SASB)
- International <IR> Framework



Investors

- Between 2016 and 2019, Asia-focused funds represented half of \$13.7 billion raised in 'impact' and ESG investing across 51 funds⁷

Sustainability index:

- FTSE4Good Bursa Malaysia Index
- SET Thailand Sustainability Index (SETTHSI)
- Singapore Exchange Limited (SGX) ESG Leaders Index

Corporate engagement on climate change:

- 74% of Asian companies disclosed a policy/commitment statement to address climate change and 65% described in their policy how they intend to decrease their impact on climate change⁸



Sources

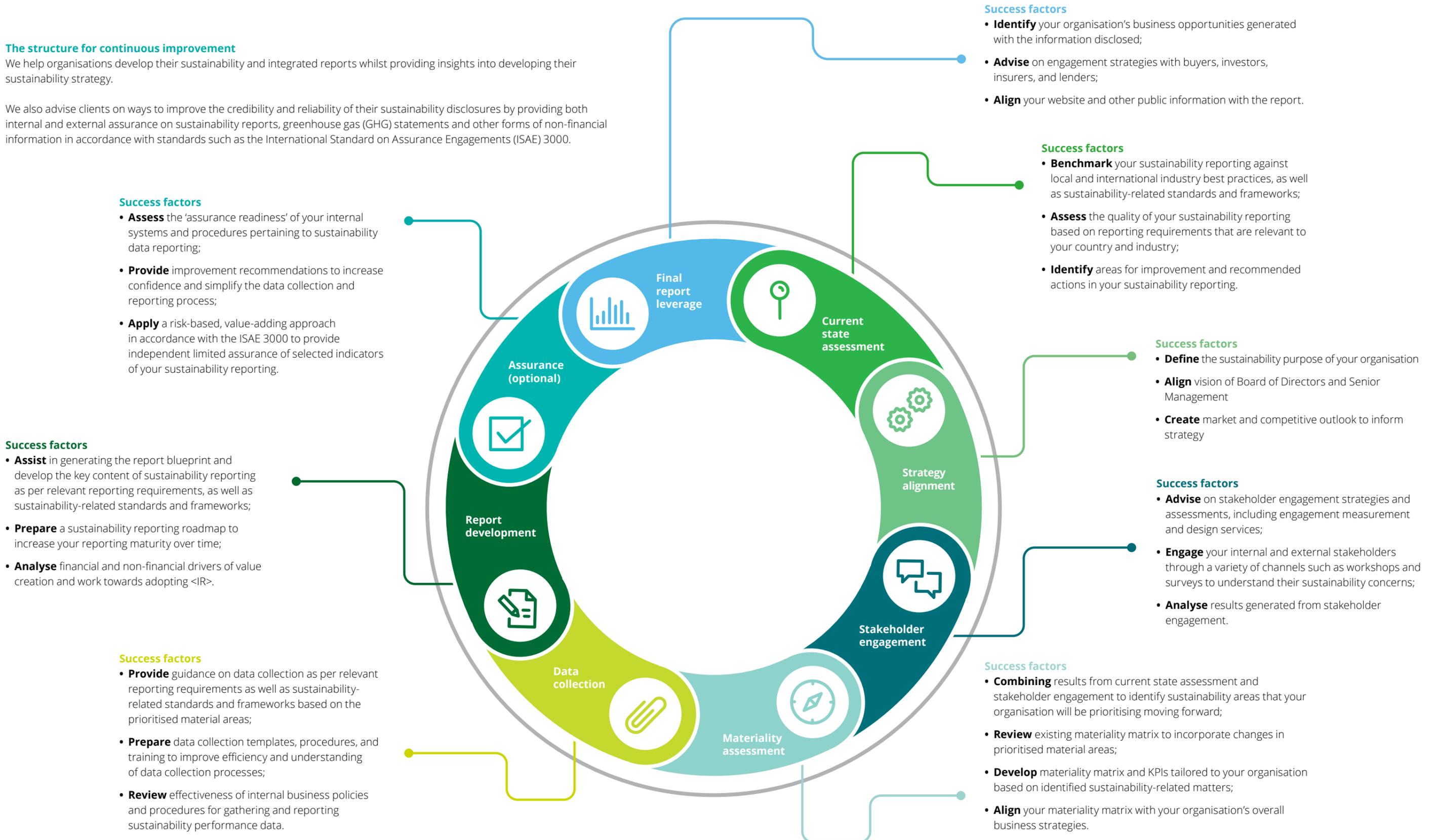
- 1 <https://bursasustain.bursamalaysia.com/droplet-details/resources/sustainability-reporting-guide-2nd-edition>
- 2 <https://www.sgx.com/regulation/sustainability-reporting>
- 3 <https://www.sec.gov.ph/wp-content/uploads/2019/10/2019MCNo04.pdf>
- 4 <https://en-rules.hkex.com.hk/node/1892>
- 5 <https://sseinitiative.org/stock-exchange/idx/>
- 6 https://www.sec.or.th/cgthailand/EN/Pages/CGCode/CGCodePart02_2.aspx
- 7 <https://asia.nikkei.com/Business/Business-trends/Southeast-Asian-companies-jump-on-impact-investment-bandwagon>
- 8 https://www.preventionweb.net/files/63690_aigccbuildingonthebasetcfdisclosur.pdf

Towards a more holistic sustainability approach

The structure for continuous improvement

We help organisations develop their sustainability and integrated reports whilst providing insights into developing their sustainability strategy.

We also advise clients on ways to improve the credibility and reliability of their sustainability disclosures by providing both internal and external assurance on sustainability reports, greenhouse gas (GHG) statements and other forms of non-financial information in accordance with standards such as the International Standard on Assurance Engagements (ISAE) 3000.



Driving sustainability performance

The roadmap towards strategic outcomes

The journey towards sustainability leadership goes through maturity phases and can be reflected in sustainability reporting. A report should be considered a strategic instrument to improve mission-critical relationships and open new doors for improving business performance.

	Observer	Pioneer	Navigator	Practitioner	Champion
Culture	Sustainability is cost	Starting to understand underlying risks in ESG areas	Recognise the importance of ESG and putting in resources	Sustainability is a driver of business performance	Sustainability is part of the core value and incorporated in business model
Governance	Operational units delivery	Having a CSR team focusing on reporting and data collection. Reporting will get through BOD for finalisation	Having a CSR team rolling out projects and setting targets	Having a board level committee and an improving cycle	Having a Chief Sustainability Officer to oversee relevant matters
Action	Staying in compliance with local environmental and labour laws and regulations	Establishing ESG Policy	Establishing short-term ESG projects	Having multiple project covering different aspects of ESG	Having a sustainable business roll-out plan. Utilising sustainable finance tools to support transition
Targets	No ESG target	Evaluating possible targets	Setting short-term ESG targets	Setting long-term ESG targets and roll-out plan	Joining international ESG initiatives
Supply Chain	No ESG requirement for suppliers	Setting compliance thresholds for suppliers	Integrating stakeholder concerns in ESG supply chain management	Setting ESG performance requirements for suppliers	Extending ESG management to the entire value chain
Reporting	No disclosure or not reporting regularly	Reporting regularly on selective ESG topics	Reporting annually and extensively on all aspect of ESG. Disclosing targets	Reporting annually with alignment with international standards. Disclosing 3-year history data on targets	Report is assured by 3rd party (e.g. through ISAE3000 or AA1000)

Becoming a Champion – The benefits of strategic sustainability reporting

Traditional CSR Report

- Report on selective topics with limited information
- No relation to strategic objectives and no targets
- Focus on philanthropy work (charity runs, blood donations, etc.)
- Reporting for compliance with listing regulations

Across ASEAN, seven stock exchanges demand some form of sustainability reporting, mostly on mandatory basis.

14 members of the G20 and 32 of the 52 largest economies have at least one regulation covering an aspect of environmental, social, and governance disclosure

Strategic Sustainability Report

- Report extensively on all material ESG aspects
- Top-down sustainability strategy, roadmap, and roll-out plan
- Clear yearly goals, KPIs and track record
- Focus on environmental and social risk management and opportunity recognition
- Long-lasting relationships with business partners based on transparency and accountability

For investors/financiers, a good corporate sustainability report can help them to:

- Identify investment opportunities that are resilient and future-oriented or adjust interest rates for sustainable finance instruments
- Assess the impact made through their investments in your company

For buyers, a good corporate sustainability report can help to:

- Understand the measures you take to address material risks
- Understand the indirect impact they could make through partnering with your firm
- Assess the reputation risk they enter by working with your organisation

Examples of financial value and incentives for strategic sustainability reporting

ESG/ Sustainability Linked Loans¹

ESG or sustainability linked loans are financial instruments that look to improve the borrower's sustainability profile by aligning loan terms to the borrower's performance against the relevant indicators. The sustainability linked loan product enables lenders to incentivise the sustainability performance of the borrower.

The key components of these products are:

- Relationship to Borrower's Overall Corporate Social Responsibility (CSR) Strategy
- Target Setting – Measuring the Sustainability of the Borrower
- Reporting

Consumers' call for sustainable sourcing, manufacturing and products

An increasing number of companies around the world are generating significant shares of their revenues from sustainable products or services, especially those that focus on sustainable living and are produced sustainably.

Brands are looking into their supply chains to ensure sustainable manners in producing their products. ESG evaluations and assessments are conducted to build transparency in their suppliers. Suppliers with sustainable practices will have a reliable and loyal relationship with these buyers.

Strategic reporting is one of the easiest way for vendors to show their efforts in sustainable management.

What others have to say about sustainability reporting

"Over time, companies and countries that do not respond to stakeholders and address sustainability risks will encounter growing skepticism from the markets, and in turn, a higher cost of capital. Companies and countries that champion transparency and demonstrate their responsiveness to stakeholders, by contrast, will attract investment more effectively, including higher-quality, more patient capital."

Larry Fink, CEO at Blackrock

"Our consumers are very sensitive to social and environmental issues... We have actively engaged with them on these issues in the last ten years, and they have become very aware as consumers. They especially ask for information on environmental policies, workers' rights and product safety."

Walter Dondi, Director of Co-op Adriatica (Italy's largest retailer)¹

"The importance of investor engagement to drive disclosure cannot be overstated. Climate change, water security and deforestation present material risks to investments, and companies that are failing to disclose their impact risk trailing behind their competitors in their access to capital."

Emily Kreps, Global Director of Capital Markets at CDP

"Investors want to see balanced reporting that showcases a company's targets and progress against the SDGs. Companies should consider risk factors and impacts on people and the society in a focused manner and strive to put out concise, consistent, current and comparable data."

Tim Mohin, CEO of Global Reporting Initiative

"Far from perceiving sustainability as a costly inconvenience, supply chain leaders are using it to their advantage."

Miguel Cossio, Senior Principal Analyst at Gartner

"People are going to want, and be able, to find out about the citizenship of a brand, whether it is doing the right things socially, economically and environmentally."

Mike Clasper, President of Business Development, Proctor and Gamble (Europe)²

Sources

- 1 <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/LMASustainabilityLinkedLoanPrinciples-270919.pdf>
- 2 <https://www.csr-company.com/resources-corner/words/memorable-quotes-ethics-csr-and-sustainability>

Active collaboration

Our participations in global sustainability standards

Deloitte maintains active involvement in the public discourse on sustainability issues through collaboration with leading global institutions that are dedicated to finding and promoting solutions to sustainability challenges.

GRI	Global Reporting Initiative Deloitte has been an organisational stakeholder since its inception in 2004, and two Deloitte partners are members of the governance structure.
IIRC	International Integrated Reporting Council Deloitte Global Advisor is a Council Member and Deloitte has provided secondments.
SASB	Sustainability Accounting Standards Board Deloitte has provided funding and a secondment, participated in industry working groups, and has a seat on the Assurance Task Force.
UNGC	United Nations Global Compact Deloitte was a founding signatory in 2000 with several high impact pro-bono projects and secondments.
WBCSD	World Business Council for Sustainable Development Deloitte was a founding member in 1995 and has been actively involved in many working groups and projects through the years.
CDP	Formerly the Carbon Disclosure Project Deloitte is a past global and U.S. sponsor of CDP Water Disclosure and has developed reports to Investor and Supplier questionnaires on CDP Climate Change.
GISR	Global Initiative for Sustainability Ratings Deloitte has provided funding and a secondment, participated in industry working groups, and has a seat on the Assurance Task Force.
AS4	The Prince's Accounting for Sustainability Project Deloitte has provided secondments.

Our recognitions

- **Number 1 in consulting service providers** based on revenue by ALM Intelligence and Gartner
- **Global leader in supply chain risk management consulting** based on capabilities by ALM Intelligence
- **Global leader in performance management consulting** based on capabilities by ALM Intelligence
- **Global leader in strategic risk consulting** based on breadth and depth of capabilities by ALM Intelligence
- **Leader in Asia Pacific in business consulting services** based on capability and strategy by IDC

Integrated solutions

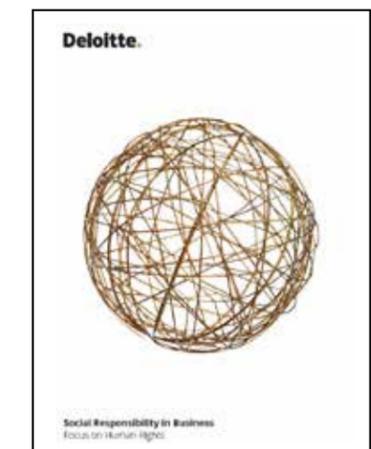
The Deloitte Sustainability Reporting Strategy brochure is part of a series of brochures that Deloitte has developed to offer targeted solutions to companies and organisations in Southeast Asia. The other complementary offerings are:



Agenda 2030: Creating legacy, prosperity and continuity for your business



Sustainability Risk Management: Powering performance for responsible growth



Social Responsibility in Business: Focus on Human Rights

Contact us

Cheryl Khor

Partner

Deloitte Risk Advisory Asia Pacific
ckhor@deloitte.com

Rui Figueiredo

Director

Deloitte Risk Advisory
rfigrdo@deloitte.com

Samuel Sin Yee Ooi

Senior Manager

Deloitte Risk Advisory
saooi@deloitte.com

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