Sustainability Reporting Strategy
Creating impact through transparency
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, regulatory 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.

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

Innovation and opportunity creation
Exploring innovative technologies and business models that generate new market opportunities

Operational efficiency
Improving operational efficiency and reducing costs by streamlining processes through more sustainable practices

Risk mitigation
Mitigating regulatory risks and securing a social license to operate

Brand differentiation
Cultivating positive brand recognition for being a socially active and environmentally-friendly organisation

Capital access and market valuation
Tapping into new financial instruments that are linked to sustainability performance

Talent attraction, engagement and retention
Increasingly leaning towards employers with strong social strategy and solid commitment towards the environment

Examples of market drivers in the sustainability reporting landscape

National policies and regulations/stock exchange listing rules:
1. Bursa Malaysia published sustainability reporting guidelines for companies to adopt Task Force on Climate-Related Financial Disclosures (TCFD) recommendations
2. Singapore Exchange (SGX) introduced sustainability reporting on a “comply or explain” basis and mandated all SGX-listed issuers to prepare a sustainability report yearly
3. HKEX released the Environmental, Social and Governance Code which required that all listed companies are required to prepare a sustainability report on an “explain or comply” basis and mandated all SGX-listed issuers to comply or explain matters, and encouraged disclosure of additional ESG issues and KPIs
4. Under Indonesia Financial Services Authority, all-listed companies are required to publish sustainability report
5. Thailand’s SEC issued a new Corporate Governance Code which required that a company’s board ensures adequate sustainability reporting
6. SET Thailand Sustainability Index (SETTHSI) SET Thailand Sustainability Index (SETTHSI)
7. FTSE4Good Bursa Malaysia Index
8. FTSE4Good Bursa Malaysia Index

Standard-setting and reporting initiatives:
1. Global Reporting Initiative (GRI) Standards
2. Sustainability Accounting Standards Board (SASB) Sustainability Accounting Standards Board (SASB)
3. International Integrated Reporting Framework
4. Task Force on Climate-Related Financial Disclosures (TCFD) recommendations

Investors
1. Between 2016 and 2019, Asia-focused funds committed to address climate change and 65% described in their policy how they intend to decrease their impact on climate change
2. 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 change

Sources
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.

Success factors
- Assess the ‘assurance readiness’ of your internal systems and procedures pertaining to sustainability data reporting;
- Provide improvement recommendations to increase confidence and simplify the data collection and reporting process;
- Apply a risk-based, value-adding approach in accordance with the ISAE 3000 to provide independent limited assurance of selected indicators of your sustainability reporting.

Success factors
- Assist in generating the report blueprint and develop the key content of sustainability reporting as per relevant reporting requirements, as well as sustainability-related standards and frameworks;
- Prepare a sustainability reporting roadmap to increase your reporting maturity over time;
- Analyse financial and non-financial drivers of value creation and work towards adopting <IR>.

Success factors
- Provide guidance on data collection as per relevant reporting requirements as well as sustainability-related standards and frameworks based on the prioritised material areas;
- Prepare data collection templates, procedures, and training to improve efficiency and understanding of data collection processes;
- Review effectiveness of internal business policies and procedures for gathering and reporting sustainability performance data.

Success factors
- Define the sustainability purpose of your organisation;
- Align vision of Board of Directors and Senior Management;
- Create market and competitive outlook to inform strategy.

Success factors
- Advise on stakeholder engagement strategies and assessments, including engagement measurement and design services;
- Engage your internal and external stakeholders through a variety of channels such as workshops and surveys to understand their sustainability concerns;
- Analyse results generated from stakeholder engagement.

Success factors
- Combining results from current state assessment and stakeholder engagement to identify sustainability areas that your organisation will be prioritising moving forward;
- Review existing materiality matrix to incorporate changes in prioritised material areas;
- Develop materiality matrix and KPIs tailored to your organisation based on identified sustainability-related matters;
- Align your materiality matrix with your organisation’s overall business strategies.
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.

<table>
<thead>
<tr>
<th>Observer</th>
<th>Pioneer</th>
<th>Navigator</th>
<th>Practitioner</th>
<th>Champion</th>
</tr>
</thead>
<tbody>
<tr>
<td>Culture</td>
<td>Sustainability is cost</td>
<td>Starting to understand underlying risks in ESG areas</td>
<td>Recognise the importance of ESG and putting in resources</td>
<td>Sustainability is a driver of business performance</td>
</tr>
<tr>
<td>Governance</td>
<td>Operational units delivery</td>
<td>Having a CSR team focusing on reporting and data collection, reporting will get through BOD for finalisation</td>
<td>Having a CSR team rolling out projects and setting targets</td>
<td>Having a board level committee and an improving cycle</td>
</tr>
<tr>
<td>Action</td>
<td>Staying in compliance with local environmental and labour laws and regulations</td>
<td>Establishing ESG Policy</td>
<td>Establishing short-term ESG projects</td>
<td>Having multiple project covering different aspects of ESG</td>
</tr>
<tr>
<td>Targets</td>
<td>No ESG Target</td>
<td>Setting short-term ESG targets</td>
<td>Setting long-term ESG targets and roll-out plan</td>
<td>Joining international ESG initiatives</td>
</tr>
<tr>
<td>Supply Chain</td>
<td>No ESG requirement for suppliers</td>
<td>Setting compliance thresholds for suppliers</td>
<td>Setting ESG performance requirements for suppliers</td>
<td>Extending ESG management to the entire value chain</td>
</tr>
<tr>
<td>Reporting</td>
<td>No disclosure or not reporting regularly</td>
<td>Reporting regularly on select ESG topics</td>
<td>Reporting annually and extensively on all aspect of ESG, Disclosing targets</td>
<td>Reporting annually with alignment with international standards, Disclosing 3-year history data on targets</td>
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Becoming a Champion – The benefits of strategic sustainability reporting

Traditional CSR Report
- Report on select 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

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/financials, 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 Loans
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 incentivize 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

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.”

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 STIGs. 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

“‘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)

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“‘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)

“‘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.’”

Larry Fink, CEO at Blackrock

Sources
### 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.

<table>
<thead>
<tr>
<th>Organisation</th>
<th>Deloitte's Role</th>
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<tbody>
<tr>
<td>GRI (Global Reporting Initiative)</td>
<td>Deloitte has been an organisational stakeholder since its inception in 2004, and two Deloitte partners are members of the governance structure.</td>
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<tr>
<td>IIRC (International Integrated Reporting Council)</td>
<td>Deloitte Global Advisor is a Council Member and Deloitte has provided secondments.</td>
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<tr>
<td>SASB (Sustainability Accounting Standards Board)</td>
<td>Deloitte has provided funding and a secondment, participated in industry working groups, and has a seat on the Assurance Task Force.</td>
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<tr>
<td>UNGC (United Nations Global Compact)</td>
<td>Deloitte was a founding signatory in 2000 with several high impact pro-bono projects and secondments.</td>
</tr>
<tr>
<td>WBCSD (World Business Council for Sustainable Development)</td>
<td>Deloitte was a founding member in 1995 and has been actively involved in many working groups and projects through the years.</td>
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<tr>
<td>CDP (Formerly the Carbon Disclosure Project)</td>
<td>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.</td>
</tr>
<tr>
<td>GISR (Global Initiative for Sustainability Ratings)</td>
<td>Deloitte has provided funding and a secondment, participated in industry working groups, and has a seat on the Assurance Task Force.</td>
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<tr>
<td>AS4 (The Prince's Accounting for Sustainability Project)</td>
<td>Deloitte has provided secondments.</td>
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### 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**