



February 9, 2016

Singapore Exchange Limited  
11 North Buona Vista Drive  
#06-07, The Metropolis Tower 2  
Singapore 138589

Via Email: [sustainability.reporting@sgx.com](mailto:sustainability.reporting@sgx.com)

Dear Ms. Yeo,

**Response to the Consultation Paper on Sustainability Reporting: Comply or Explain (“the Consultation”)**

We welcome the opportunity to respond to the Consultation.

British Columbia Investment Management Corporation (bcIMC) is an asset manager with more than \$123 billion in assets under management, one of the largest institutional investors in Canada. Our investment activities help finance the pensions of approximately 500,000 people in our Canadian province, including university and college instructors, teachers, health care workers, firefighters, police officers, municipal and other public sector workers. On behalf of these pension beneficiaries, we provide long term capital to companies around the world that we believe will provide strong and stable financial returns.

As a large institutional investor with a long term perspective, bcIMC is supportive of enhanced reporting on environmental, social and governance (ESG) factors or sustainability factors. It is encouraging to see that the Singapore Exchange (SGX) has concluded that it wants to align itself with international best practice in the area of ESG reporting and appreciates the benefits this will bring to the market. Our organization has a firm commitment to integrate ESG into our investment decision-making and the only way to fulfill this commitment is to have credible, reliable and comparable company data across relevant peer groups.

bcIMC is supportive of the progress SGX has made in advancing and evolving sustainability reporting. We address the specific questions posed in the Consultation below while offering our suggestions for further consideration.

### **Question 1: Comply or Explain**

bclMC is supportive of a comply or explain approach as we have seen this be successful in other markets. This approach provides flexibility and allows for continuous improvement as the issuers' reporting evolves over time. In particular, we appreciate that the SGX has clearly indicated that a *'mere statement that the primary component is not relevant to the issuer is insufficient.'* From our perspective, this clarity is crucial if the SGX wants to avoid boilerplate disclosures which is a risk of the comply or explain model.

A concern we have is embedded in 2.4 of this section which references individuality from issuer to issuer and the market being richer for the variety and individuality. While we support a certain degree of flexibility, suggesting that investors will benefit from every issuer reporting differently is misguided in our view. One of the key challenges we face in trying to integrate ESG factors into our investment decisions is the variety of reporting from issuers and lack of standardization across relevant peer groups.

If the SGX is not in a position to point to a particular reporting framework (see question 3), at a minimum, the exchange should encourage issuers to align somewhat with their peers. While the specific material factors identified by each company may not be identical, there should be some common elements depending on a company's sector and/or industry that permit investors to benchmark and compare performance.

Of similar concern, is the reference to an issuer putting its *'best case to investors and other stakeholders'*. This language suggests that issuers may pick and choose certain information rather than provide all material information to investors. It should be a priority for the SGX to convey to companies that sustainability reporting should not be viewed as public relations or marketing in the form of a glossy report. Investors expect a complete and accurate picture of company sustainability performance for that reporting year; including both positive and negative performance, just as we would expect with financial reporting.

### **Question 2: Frequency of Sustainability Reporting**

While we agree that sustainability reporting should be done on an annual basis, there is a growing trend to align ESG reporting with traditional annual reporting in the form of an integrated report. An integrated report presents a complete picture of company performance including ESG factors that the board has agreed are material to the company's strategy.

We often experience issuers releasing sustainability reports mid-year or later, well after the release of their annual financial reports. In these cases, the data quickly becomes stale and dated rather than insightful and complementary to the financial results. If management and the board have agreed on the material ESG factors that are strategic to the business, performance on those factors should be reported to the board at the same time annual financial results are reported.

### **Question 3: Primary Components**

bclMC views sustainability reporting as primarily providing an assessment of ESG performance for the reporting year. Therefore, information that is more static and does not change year to year, may be ideally provided elsewhere. We would see policies (identified as one of the primary components) as fitting this description and not necessary within a sustainability report.

Similarly, the reporting framework chosen is not likely to change each year and does not need to take up much space each and every year. It would be our preference that the SGX communicate a preferred reporting framework given that the proposed guidance takes a 'comply or explain' approach. As mentioned in the Practice Note, both The Global Reporting Initiative (GRI) and Integrated Reporting <IR> are well known and internationally-recognized reporting frameworks and we would support reporting requirements in line with either framework. While the Practice Note mentions the Carbon Disclosure Project (CDP) and the Roundtable on Sustainable Palm Oil (RSPO), we would not see these as overarching sustainability frameworks as they would likely not capture all material ESG matters for issuers. In our view, adding these issue-specific organizations is confusing and it is likely more useful for issuers to focus on GRI and <IR>.

The most important primary components for the report itself would be material ESG factors; their associated targets; and, a discussion of progress against those targets. Regarding the identification of material ESG factors, we see the need for discussing the process of selection just as much as the factors themselves, so we are pleased to see that processes are mentioned.

### **Question 4: Stakeholder Engagement**

We see stakeholder engagement as an important way to develop and monitor the success of key relationships, however, framing this as verification for determining ESG material factors may be over-reaching. Stakeholder engagement is likely best utilized as one input into the selection of material ESG factors but should not be represented as verification. Different stakeholders are going to have different perceptions and needs based on their relationship to the company, and while we would expect a firm to seek out stakeholder views on its most material ESG issues, the language in the consultation document seems to suggest a stronger role.

### **Question 5: Materiality**

Defining materiality in the context of sustainability reporting is a very challenging exercise. While we do not take issue with the guidance provided and were encouraged to see the reference to short, medium, and long term time horizon, dealing with an additional definition of materiality may cause confusion. In our view, the simplest way to resolve this is for issuers to use the approach embedded within their chosen sustainability framework. Both GRI and <IR> as referenced above define and guide issuers on how to define materiality and select issues on that basis.

### **Question 6: Anti-Corruption and Diversity**

These elements should certainly be considered primary components if they are identified as material. bcIMC would see diversity as being material for all issuers but corruption is more dependent on business model and geographical reach. Similar to our earlier comments, we would simply re-state that the sustainability report should emphasize performance in these areas for the reporting year and not be a collection of policies that can be provided elsewhere. For diversity in particular, we would expect to see aspirational targets for the board and senior management as well as disclosure on efforts made to reach these targets.

### **Question 7: Responsibility of the Board**

The consultation's description of the role of the board appears to be in line with their primary role of oversight and we appreciate the explicit link between ESG and strategy. Our only suggestion would be to clearly state the board's responsibility for holding management accountable for ESG performance just as they are for other areas of company performance. In our opinion this would highlight the active nature of board involvement in strategic issues rather than simply approving an additional report.

### **Question 8: Independent Assurance**

bcIMC is supportive of a voluntary approach to independent assurance.

### **Question 9: Phased Approach**

bcIMC is supportive of a phased approach. We discuss sustainability reporting frequently with issuers and we appreciate that time is required to establish policies, build data collection systems and engage in target-setting exercises which can involve several people and/or business units.

We would like to draw your attention to one final suggestion that is outside the confines of the Consultation itself.

bcIMC has been involved in the Sustainable Stock Exchanges (SSE) Initiative and we see this as a valuable tool for exchanges to learn from peers in the area of ESG disclosure. Transparency on ESG risk factors continues to evolve and having a peer-to-peer platform to explore developments can be an important resource for an exchange. We would encourage SGX to consider becoming a Partner Exchange of the SSE which involves making a voluntary public commitment to promote ESG disclosure among listed companies. You can find more information on this initiative at [www.sseinitiative.org](http://www.sseinitiative.org).

We appreciate the opportunity to offer our views on the Consultation and hope they are constructive as SGX proceeds with this worthy endeavour.

Regards,

A handwritten signature in blue ink, appearing to read "Bryan Thomson". The signature is fluid and cursive, with a large initial "B" and a long, sweeping underline.

Bryan Thomson  
Senior Vice President, Public Equities