NORGES BANK
INVESTMENT MANAGEMENT

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Sent via email to sustainability.reporting@sgx.com

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Our ref.: 16/00355

Response to the consultation paper on Sustainability Reporting: Comply or Explain

Norges Bank Investment Management welcomes the Singapore Stock Exchange's ("the Exchange") open review of the proposed amendments to sustainability reporting rules for primary-listed issuers. We support the Exchange's initiative to strengthen sustainability reporting requirements and encourage enhanced transparency. We appreciate the opportunity to respond to the Exchange's consultation paper of January 2016 on Sustainability Reporting: Comply or Explain (the "consultation paper").

Norges Bank Investment Management is the investment management division of the Norwegian central bank and is responsible for investing the Norwegian Government Pension Fund Global. At 30 September 2015, the fund was invested in assets of 7,019 billion kroner (1,170 billion SGD) globally. Approximately 4 billion SGD was invested in more than 115 Singapore listed companies.

We support strong sustainability and corporate governance standards and practices at national and market level, and adherence to recognised international standards. The UN Global Compact, the UN Guiding Principles on Business and Human Rights, the G20/ OECD Principles of Corporate Governance and the OECD Guidelines for Multinational Enterprises are important points of reference for best practice.

Norges Bank Investment Management expects companies to identify and address the material sustainability challenges and opportunities they face. Consideration of sustainability challenges in direct operations, supply chains and other business relationships should be an integrated part of company strategy. Company priorities should be set based on the severity of issues. How companies manage such risks and capitalise on opportunities, may drive long-term returns for the companies and for us as a shareholder. Such information can be beneficial for investors for analysis of the potential sustainability challenges on companies' economic performance and prospects.

The comply or explain approach
The Exchange proposes to require annual sustainability reporting from primary-listed issuers on both Mainboard and Catalist on a 'comply or explain' basis. We welcome the introduction of the comply or explain model

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supporting a wider adoption of sustainability reporting across issuers, while leaving flexibility to focus reporting on relevant sustainability challenges and opportunities specific to a company's sector or business model. Such reporting should outline assessments made to establish context for priorities, as well as provide a clear rationale for any action taken. Deviation from a particular requirement from the sustainability reporting guide should be explained.

Materiality

The working guideline provides general guidance and a structured process that can help identify material sustainability issues. We have experienced that the availability of non-financial data needs strengthening. We believe that sustainability reporting should build on a number of dimensions to ensure consistency. Information deemed important to shareholders and stakeholders should drive reporting. Qualitative information should be balanced and quantitative targets should be provided for good measure. Reporting should be consistent over time and within sectors.

Responsibility of the board

We are supportive of the amendments outlining the board's overall responsibility of the strategy and reporting, including the consideration of sustainability factors. Boards must seek to understand material ESG issues. We recommend that the proposed amendments align the board's overall responsibility of the ESG strategy and reporting with the board's responsibility set out in the code of corporate governance for companies listed on the Exchange.

Frequency and timing of reporting

Increased transparency and ESG reporting may help investors assess company boards and management and long-term strategies. We recommend requiring ESG reporting ahead of the annual general meeting to ensure that recent and valuable information be available to shareholders as they vote on board elections, and, as relevant, other agenda topics.

Phased approach

A phased approach until 2018 will enable companies have a constructive dialogue with the Exchange and industry experts, and allows room for sector specific feedback to strengthen the relevance of disclosure. We expect the Exchange to perform periodical review of the guide to incorporate feedback on practical experience from investors, companies and industry experts.

Yours sincerely,

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Attached is our response to the specific questions set out in the consultation paper.