

# Sustainability

## Board Statement

Sustainability has become a critical success factor for companies to ensure long-term value creation, and there has been a growing demand among investors for enhanced transparency on listed companies' Environmental, Social and Governance (ESG) practices. In FY2016, SGX responded to this by announcing the "Comply or Explain" sustainability reporting rule and guide which seeks companies listed on the SGX to issue a sustainability report from financial year 2017. In line with usual practice, SGX had conducted a public consultation to obtain the views of stakeholders prior to the final announcement of the rule. This was preceded by the launch of the SGX Sustainability Indices – a suite of equity indices composed of SGX-listed stocks which are considered to be clear frontrunners in ESG standards.

At SGX, management, with guidance from the Board, sets the tone for its sustainability efforts and identifies, manages and addresses ESG factors that are material to its business. Some highlights of the year included:

- The formalisation of SGX's environmental policy to focus efforts on managing the usage of energy and other resources
- The formalisation of SGX's talent strategy to sustain SGX's competitive edge in attracting, retaining and replenishing talent while ensuring diversity and inclusion in the workplace
- Extended outreach of SGX Academy with the inaugural investment education symposium for teachers, with the belief that the knowledge they acquire will be imparted to future generations

SGX will continue to make improvements in its sustainability practices and work with the companies listed on SGX towards the common goal of embedding sustainability in their businesses.

## Report at a Glance

This report summarises our approach towards sustainability and our progress to date, with a focus on addressing SGX's material Environmental, Social and Governance (ESG) matters.

### Report Scope

The report covers the performance of our consolidated entities from 1 July 2015 to 30 June 2016 (FY2016). We have included the historical data for the previous two years of FY2014 and FY2015 for comparison, where available.

### Reliability and Methodology

We have produced our report in accordance to the internationally recognised GRI G4 guidelines – "Comprehensive". The "Comprehensive" option requires reporters to report fully against all recommended indicators for ESG factors identified as being material. We have chosen the GRI G4 reporting guidelines due to its robust guidance and longstanding universal application, which allows for comparability of our performance. This report also takes into consideration the primary components of report content as set out by the SGX's "Comply or Explain" requirements for sustainability reporting.

Our data is reported in good faith and to the best of our knowledge. We continue to work on strengthening our data collection processes.

## Our ESG Risks and Opportunities

Our enterprise risk management system includes the identification and assessment of ESG risks and opportunities. This is supplemented by our stakeholder engagement and materiality assessment processes. Where we have assessed the impacts of our ESG risks and opportunities to be substantial, we have addressed them, as charted below:

### Human Resource Risks

Our people are a key asset, making talent attraction and retention crucial in Singapore's highly competitive financial market. Our talent strategy ensures SGX remains an attractive place to work.

**i** For more details, go to: page 40

### Technological Risks

Providing reliable technological platforms is critical to business continuity, as technology-related service disruptions have the potential to cripple our operations. To address this, we will continue to enhance our recovery capabilities, processes and communications to effectively manage crisis situations.

### Climate Change Risks

As a small island state, Singapore is vulnerable to the rising sea levels resulting from climate change. Although our environmental footprint is small, we remain prudent and manage our environmental footprint, as guided by our Environmental Policy.

**i** For more details, go to: pages 43 to 44

### Sustainability-related products and services

Non-financial risks and accountability are becoming increasingly important among investors. This represents an opportunity for us. Our SGX Sustainability Indices, which comprises liquid SGX-listed stocks screened in accordance with ESG criteria, was launched recently to provide a transparent way for investors to assess the sustainability practices of our issuers.

### Diversity of our workforce

The gender, age, ethnic and nationality diversity of our workforce is part and parcel of our corporate culture, which embraces varied and unique perspectives. In this way, our workforce diversity represents an opportunity for us to lead by example.

**i** For more details, go to: pages 41 to 42



# Sustainability

## Stakeholder Engagement and Materiality Assessment

### Stakeholder Engagement

We maintain a frequent dialogue with our stakeholders and inform them about our sustainability plans and actions. Their feedback, interests and concerns help us to focus on what is important in sustaining our business and generating long-term value. We highlight here a number of engagements with stakeholders during the year:

### Highlights of Stakeholder Engagement During the Year Annual Investor Perception Study 2016

Since FY2015, SGX has engaged a third-party service provider to conduct a perception study to gauge the evolution of market sentiment on the company's strategy, management team, investment case, capital allocation, investor communications and corporate governance. In-depth interviews were conducted with past, current and potential shareholders, followed by a comprehensive analysis of the results.

#### Key findings from the Investor Perception Study

- **Investor sentiment on SGX's corporate governance practices remain positive**
  - 75% of the investors felt that SGX's corporate governance practices surpassed our global peers
  - SGX was praised for our alignment with minority shareholders, as evidenced by our dividend track record, transparency, independent Board and lack of imprudent M&A
- **SGX received varied feedback on its governing practices as a market regulator**
  - 55% of the investors who commented on SGX's role as a regulator said that we were effective in this role, as we have strengthened efforts to uphold market integrity and safeguard investors
  - Of the 44% who felt we were not doing enough, the majority stated that SGX should be more proactive in pushing for greater market openness and accessibility, minority shareholder engagement, and transparency, rather than adopt a perceived 'box-ticking' approach to regulation
  - 17% of the investors cited SGX's introduction of mandated sustainability reporting as a positive example of SGX's corporate governance

### Public Consultation on Sustainability Ruling with External Stakeholders<sup>1</sup>

There has been a growing demand from investors for enhanced transparency on ESG disclosures. As a preparatory step in the process of developing a "Comply or Explain" listing requirement for sustainability reporting, in late FY2015, SGX launched a consultation exercise. Over a period of nine months, SGX gathered feedback from issuers, investors, sustainability professionals and the public, through targeted surveys for issuers and investors, focus group discussions with listed companies, and a call for public feedback. This has equipped us with a better understanding of our stakeholders' expectations and needs, which will allow us to refine the requirements of the new Listing Rule and Guide for the benefit of our stakeholders all round. SGX launched the new Sustainability Reporting Guide on 20 June 2016.

### Supplier Survey:

#### Influencing our suppliers on responsible business practices

In FY2015, we instituted a mandatory Supplier Sustainability Survey (Survey) for potential new suppliers to SGX as part of our request-for-proposal (RFP) process. Beginning FY2016, we commenced extending the Survey to vendors on the SGX Preferred Vendor List. The Survey gathers information from suppliers on their corporate governance, workplace practices and environmental management, and allows us to assess their sustainability values and behaviours. By including vendors' sustainability practices in our selection criteria, we ensure we support the right behaviours throughout our supply chain.

### SGX Academy:

#### Training teachers on financial literacy

For many years, our SGX Academy has educated and trained retail investors as well as professional investors and traders on financial literacy and investment knowledge. FY2016 saw the extension of our investor education partnership with the National Institute for Education (NIE), where approximately 700 NIE-trained teachers attended our inaugural investor education symposium for educators. During the symposium, our SGX Academy trainers gave talks on topics such as value investing and building an income portfolio, empowering the teachers, who play a pivotal role in moulding future generations, with valuable financial knowledge. Following the success of the event, we will hold the investor education symposium annually in future.

<sup>1</sup> More information on the consultation paper can be found on [http://www.sgx.com/wps/wcm/connect/sgx\\_en/home/regulation\\_v2/consultations\\_and\\_publications/PC/Consultation-Paper-on-Sustainability-Reporting-Comply-or-Explain](http://www.sgx.com/wps/wcm/connect/sgx_en/home/regulation_v2/consultations_and_publications/PC/Consultation-Paper-on-Sustainability-Reporting-Comply-or-Explain)

## Participating in the Sustainability Dialogue

SGX regularly supports and contributes to the development of ESG practices in Singapore and worldwide. Besides playing a critical role with our contributions to the Singapore Corporate Governance Framework, we have contributed to other similar efforts that include:

### 1 Developed new listing rule and sustainability indices

- Require sustainability disclosure by issuers through "Comply or Explain", a regulatory step forward towards joining other leading exchanges in participating in the Sustainable Stock Exchanges initiative
- Provide issuers with a new and updated guide for sustainability reporting, in replacement of the previous Guide to Sustainability Reporting for Listed Companies
- Provide investors with a tool to assess sustainability practices of issuers through the SGX Sustainability Indices

### 2 Participation and attendance in committees and events

- Participation in the Singapore Diversity Action Committee and BoardAgender initiative
- Singapore Corporate Awards (SCA)

### 3 Hosting of ESG events

- Integrated Reporting seminar for the Investor Relations Professional Association of Singapore
- Audit Committee seminar co-hosted with Accounting and Corporate Regulatory Authority of Singapore (ACRA)
- Roundtable discussion on Sustainability Reporting public consultation
- Briefing for Directors of Listed Companies on the proposed sustainability reporting requirements

## Summary of Stakeholder Interests

Interests raised by stakeholder	Our response	Read more in our:
The new sustainability reporting rule would be a challenge for issuers to follow	SGX plans to organise training for all listed companies to build their reporting capability.	Governance section of our Sustainability Report: Targets and Performance Scoreboard (page 39)
More time is needed to prepare a sustainability report for some issuers than the five months proposed	SGX has agreed and announced an extension of reporting timeline by giving listed companies up to 12 months from the end of the financial year to publish their first sustainability report.	We will monitor the compliance by listed companies and report the progress in our Sustainability Report and Annual Report next year.

# Sustainability

## Process of Materiality Assessment



Our materiality definition is guided by the GRI reporting framework, and is defined as reflecting the organisation's significant economic, environmental and social impacts, and substantively influencing the assessments and decisions of stakeholders. At SGX, assessing materiality of ESG factors to our business and significant stakeholders is a continuous process. In FY2016, our Sustainability Committee updated our material ESG factors based on feedback garnered during our stakeholder engagement and internal reviews. A total of 4 material ESG factors were identified to be most relevant

for SGX, with an additional non-material factor, energy, selected for reporting. In particular, economic performance pertains to SGX's financial performance as a business. Socio-economic impacts refer to how SGX has affected the economy and society through its role as a market operator and regulator. As a financial service organisation, our operations do not have a significant energy footprint. However, the risks of climate change to Singapore remain high, and we will continue to report on our policies, practices and performance for managing our energy consumption.

### Material ESG factors<sup>2</sup>

Material ESG factors		Corresponding GRI aspects	Read more in our:
1	Economic performance	Economic performance	Statements of Comprehensive Income in our Financial Statements (page 93)
2	Socio-economic impacts	Indirect economic impacts	Value Creation (pages 24 to 25)
3	Governance	Governance Ethics and Integrity Anti-corruption Compliance	Corporate Governance Report (pages 45 to 63); Self-Regulatory Organisation Governance Report (pages 64 to 68)
4	People	Employment Labour relations Training and education Diversity and equal opportunity Equal remuneration Non-discrimination	People section of our Sustainability Report (pages 40 to 42)
Non-material ESG factor chosen for reporting		Corresponding GRI aspect	Read more in our:
5	Energy	Energy	Energy section of our Sustainability Report (pages 43 to 44)


<sup>2</sup> The material ESG factors are not numbered according to order of importance.

## Governance

As Southeast Asia's leading securities exchange, SGX plays a pivotal role in supporting regional economic growth. We therefore create a transparent, fair, and sustainable marketplace to foster trust and confidence in our markets, by regulating and setting high standards of corporate governance and business ethics for companies listed on our exchange. Most notably, the Singapore Corporate Governance Framework has enabled Singapore to remain among the top 3 in corporate governance practices<sup>3</sup>. Further information can be found in our Self-Regulatory Organisation Governance Report (pages 64 to 68).

At SGX, we lead by example, and are committed to ensuring adherence to the very same high standards of corporate governance as we have mandated to our issuers. More details about SGX's corporate governance and Board can be found in the Corporate Governance Report (pages 45 to 63).

### Targets and Performance Scoreboard

Governance Targets for FY2016	
Target	Performance Update
Continue efforts to implement "Comply or Explain" on Sustainability Reporting for SGX-listed companies	 <ul style="list-style-type: none"> <li>Implemented 'Comply or Explain' regime for sustainability reporting for SGX-listed companies on 20 June 2016.</li> <li>Collaborating with Global Compact Network Singapore on consultant-led capability building sessions for sustainability reporting, organised along industry groups for all listed companies.</li> <li>Working with United Nations (UN) organisations, Principles for Responsible Investment (PRI) and Sustainable Stock Exchanges (SSE) on their upcoming biennial global conference in Singapore, to further raise awareness and promote improved ESG disclosures.</li> </ul>
Publish anti-bribery and anti-corruption policy online	 Published on SGX's website <sup>4</sup>

Governance Targets for FY2017	
Target	
Ensure smooth implementation of "Comply or Explain" regime for sustainability reporting	

### Sustainability Committee

SGX is dedicated to our sustainability goals and we seek to ensure that our policies are well charted and adhered to. Our Sustainability Committee, supported by the Sustainability working groups, tracks and sets directions for our sustainability journey. The Committee is chaired by the Chief Financial Officer and supported by the Head of Investor Relations as the secretary. Members of the Committee include the Chief Executive Officer, Chief Regulatory Officer, Chief Risk Officer, Head of Human Resources and Head of Communications.

The Committee meets quarterly to plan and review the progress of our sustainability efforts. Where necessary, discussions are escalated to senior management.

### Our Values and Ethics

Ensuring that all employees comply with SGX's standards and expectations remains key to maintaining our high standards of governance. We train all our new employees on the SGX Conduct and Ethics Policy as part of induction, and provide a

copy of the Code of Dealing and the SRO Conflicts Handbook. The SGX Conduct and Ethics Policy forms the foundation for the conduct expected of each employee in dealings with all SGX matters. It provides guidance on appropriate conduct for some common ethical issues, such as conflicts of interest, zero tolerance on bribery and corruption, confidential information, compliance, among others. We also educate our employees on our whistle-blowing policy, which is publicly posted on our website<sup>5</sup>, and which facilitates the reporting of suspected and actual cases of improper, unethical or fraudulent conduct.

In FY2016, no whistle-blowing reports concerning SGX were received. However, 4 cases relating to companies listed on the SGX were filed through our whistle-blowing channel. These cases have been communicated to the Regulation department within SGX for investigation. There were no cases of bribery or corruption, anti-competitive behaviour and no fines for non-compliance with the law during the year. We continue to strive to uphold the highest standards of corporate governance with respect to our stringent governance framework.

<sup>3</sup> Asian Development Bank's ASEAN Corporate Governance Scorecard: Country Reports and Assessments 2014, published in 2016.

<sup>4</sup> Details of the anti-bribery and anti-corruption policy are available at <http://investorrelations.sgx.com/sustainability-report.cfm>

<sup>5</sup> Details of this policy are available at <http://investorrelations.sgx.com/whistleblowing.cfm>

# Sustainability

## People

### Talent Management

The exchange sector is a specialised industry relative to other financial services. Our business model and value creation process requires talents and expertise which are not readily transferable from the wider financial services industry. We seek to attract and retain the best staff through our talent strategy, the key elements of which include the following:

- Promote diversity and inclusion within a non-discriminatory work environment
- Regularly engage employees in various ways around strategy, business performance, community initiatives and commitment to their overall welfare
- Provide opportunities for employees to learn, develop and grow
- Renew and develop current and future leadership for succession planning

### Targets and Performance Scoreboard

Talent Management Targets for FY2016		
Target	Performance Update	
Formalise SGX's talent strategy		Overall talent strategy for SGX has been formulated, and various policies and practices put in place on attracting, retaining and replacing talent while ensuring diversity and inclusion in our workforce.
Publish HR policies online		Work in progress.
Increase the hours of training per employee per annum to 35		Work in progress.
Conduct an employee satisfaction survey		The employee satisfaction survey was conducted in June 2016.
Talent Management Targets for FY2017		
Target		
Deploy programmes aimed at improving the engagement of our staff		
Achieve 35 training hours per employee per year		

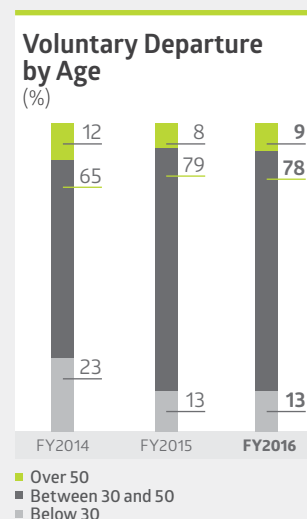
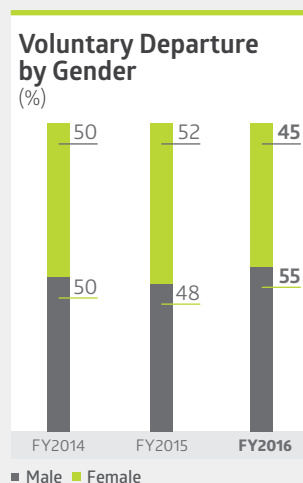
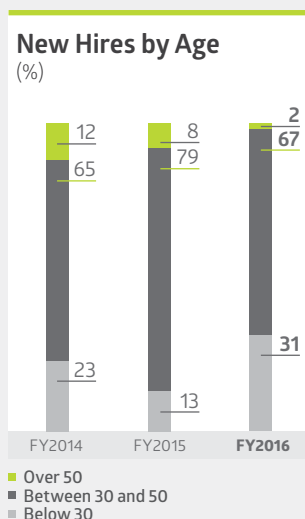
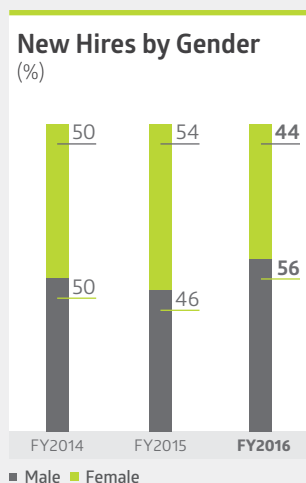
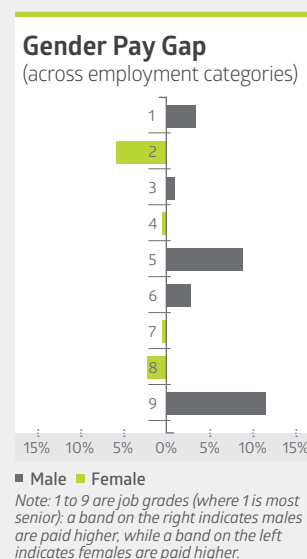
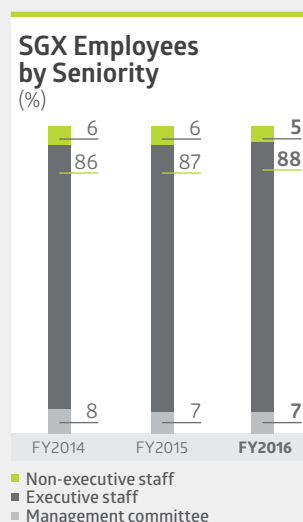
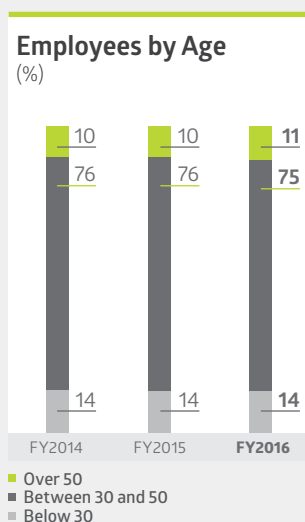
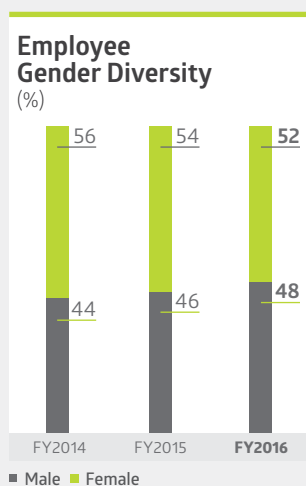
## Diversity and Inclusion

SGX thrives on the diversity of our workforce. We work hard to ensure that all employees feel included regardless of their roles in SGX. We recognise that a diverse and inclusive workforce broadens our collective skills and perspectives as an organisation. This in turn drives growth and leverages SGX's full potential.

In talent recruitment, we hire based on merit, and provide a competitive and fair compensation and benefits package with "equal pay for equal work", engendered by our non-

discrimination policy<sup>6</sup>. As a result, we sustain our diverse mix of staff by gender, age and seniority. The new hires we welcomed on board in FY2016<sup>7</sup> comprised an almost equal ratio of females and males, ranging across all age groups from below 30 to above 50 years of age. The negligible gender pay gap, in particular among our most senior positions, exemplifies gender equality in our organisation.

In addition, we have had zero reported cases of grievances, including any concerning discrimination, during the year.



<sup>6</sup> Read more about how our Remuneration & Staff Development Committee determines the remuneration of our staff and the Board in our Corporate Governance Report (page 53).

<sup>7</sup> Our rate of new hires was 17% in FY2016. This brings our total staff strength to 762, a 16% increase from FY2015. Apart from the new hires which were meant to support business growth and strengthen operations, our FY2016 headcount also included our new subsidiary Energy Market Company (EMC), following the acquisition in FY2015.



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We foster an inclusive work environment centred on regular employee engagement. We ensure that our people's diverse views and needs are heard and addressed. Apart from running speaker series and brown bag lunch talks where managers connect with employees in more intimate settings, we also promote diverse activities in which employees can get involved in making contributions to the wellbeing of the organisation and the wider community. These include family oriented events, internal reward events, as well as community initiatives such as the annual SGX Bull Charge. Such activities allow our employees to connect more deeply with SGX as a company and through that develop stronger organisational identity. Our consistently low attrition rates year on year (11% in FY2016, below the average labour turnover rate of 22.8% in Singapore<sup>8</sup>) bears testimony to our overall talent management practices.

### Support for Parents and Families

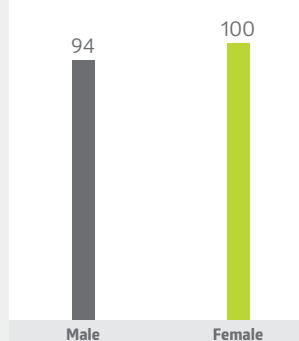
SGX understands how important family is to our employees. We support our employees in balancing their professional life with domestic responsibilities, by providing them parental leave in line with statutory requirements, as well as flexible working schemes for female staff after childbirth. Our family-friendly policies and practices saw 30 male and 38 female employees who had taken parental leave during the year, return to work.

### Training and Development

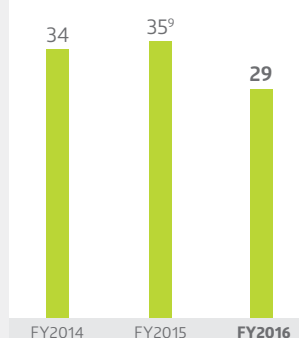
SGX believes strongly in the continuing training and development of our people. We subscribe to the policy of lifelong learning, to encourage our employees to explore and unlock their full potential, while equipping them with transferrable skills and knowledge that go beyond the required expertise of their current roles. To achieve this, we provide employees with a variety of training, professional memberships, continuing education scheme, study leave, and internal job rotation opportunities. All employees are also given regular performance reviews and target setting sessions at least once a year with their managers.

We focus on leadership renewal and development to shore up our current capabilities while developing our bench strength for future needs. Every year as part of our future leadership pipeline, we recruit new graduates into the Management Associate programme, where they undergo two rigorous years of job rotations and career development. We specifically monitor competency requirements for strategically critical roles, and maintain a line of sight for high-potential internal candidates, proactively providing them with development opportunities to raise their level of readiness.

#### Employees Returning to Work after Parental Leave (%)



#### Average Training per Employee (hours per year)



<sup>8</sup> Ministry of Manpower: Labour Market Statistical Information, based on an average monthly resignation rate of 1.9% in 2015.

<sup>9</sup> A restatement has been made on the FY2015 average training hours per employee to better reflect the full year performance. The figure disclosed in prior year was based on an annualisation of 11 months' performance.

## Energy

SGX is committed to reducing its impacts on the environment. Singapore, a small island state, is particularly vulnerable to rising sea levels caused by global warming and climate change. SGX is focused on minimising its energy footprint and related carbon emissions while concurrently balancing our commercial needs.

In FY2016, there was an overall increase by 12% in electrical consumption at our offices<sup>10</sup> due to the inclusion of our subsidiary Energy Market Company (EMC). Excluding EMC, the electrical consumption at SGX offices remained largely unchanged from FY2015, despite a headcount increase. This led to a marginal decrease in energy intensity per employee.

In FY2016, SGX formalised its environmental policy, which covers both our direct and indirect impacts on energy usage and other natural resources. In the second half of FY2016, we also implemented the following initiatives to reduce our energy consumption:

- Reduced the operating hours of:
  - 1) Lighting in office areas and TV displays
  - 2) Ticker tapes at Central Depository (CDP) and SGX Centre
  - 3) Media wall at SGX Centre
- Raised the office temperature setting to reduce air-conditioning energy consumption
- Raised awareness among our employees on good environmental practices

All these initiatives are expected to result in energy savings of approximately 6,500 kWh/month from FY2017.

We will continue to measure our progress against our targets, and drive improvements for environmentally-friendly resource usage.

### Key Elements of Our Environmental Policy

#### Managing our direct impacts

- Minimise the use of electricity, water and paper
- Reduce environmental impact by reducing non-essential travel
- Comply with all relevant environmental legislation in all countries in which we operate




#### Managing our indirect impacts

- Raise awareness of environmental issues among employees
- Carry out purchasing activities and interactions with our vendors in an environmentally responsible manner

<sup>10</sup> We have excluded the energy consumption of our data centres as they are managed by third parties.

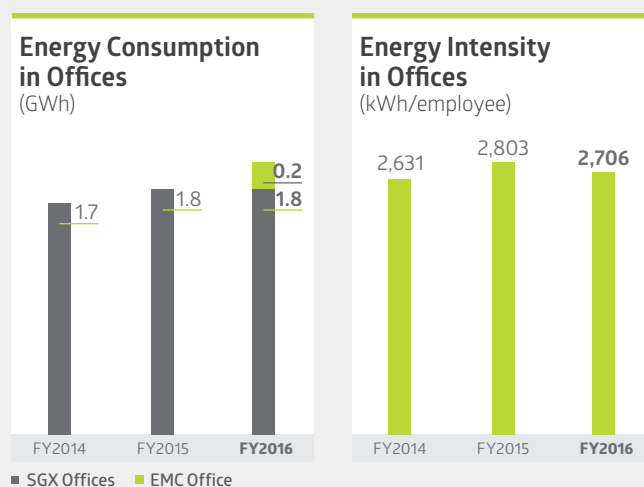
# Sustainability

## Targets and Performance Scoreboard

Energy Targets for FY2016		
Target	Performance Update	
Review options for an energy audit of SGX offices		Conducted an evaluation and proposed not to proceed with the energy audit, as energy usage is not a significant factor in SGX's business model.
Reduce consumption (on 2015 baseline) of electricity by 5%		Consumption of electricity in our offices increased by 12% due to inclusion of EMC. Excluding EMC, the electrical consumption at SGX offices remained largely unchanged from FY2015, despite a headcount increase. This led to a marginal decrease in energy intensity per employee.
Develop and publish an environmental policy		Published on SGX's website <sup>11</sup>

Energy Targets for FY2017		
Target		
Undertake further initiatives to promote environmental responsibility		
Analyse and monitor energy usage		



## GRI G4 Content Index – “Comprehensive”

Conformance of this sustainability report to the GRI G4 “Comprehensive” reporting requirements can be found online at <http://investorrelations.sgx.com/sustainability-report.cfm>

<sup>11</sup> Details of the environmental policy are available at <http://investorrelations.sgx.com/sustainability-report.cfm>