

Frequently Asked Questions Related to Sustainability Auditing

SGX GUIDANCE

1. Is there any IIA guideline/standard in auditing ESG?

There is one guide on [Guide to an Internal review of Sustainability Report](#). With effect from 1 January 2022, an issuer from SGX is required under the Listing Rules to subject its sustainability reporting process by the internal audit function. The internal review should be conducted in accordance with the [International Standards for the Professional Practice of Internal Auditing \(“Standards”\)](#) issued by The Institute of Internal Auditors. In addition, IIA Singapore has training courses on [Internal Review on Sustainability Report](#).

2. Will there be any guidelines from IIA for the statement that the company could disclose in sustainability report?

Please refer to SGX's [Practice Note 7.6 Sustainability Reporting Guide](#) for the disclosure requirement in the sustainability report. Depending on the internal governance structure, the responsibility of ESG-matters (both reporting and operational) and their compliance to related obligations reside with the Chief Sustainability Office and the Management. With reference to para 3.1 of the SGX's [Practice Note 7.6 Sustainability Reporting Guide](#), the Board has ultimate responsibility for the issuer's sustainability reporting. While there is no requirement to disclose a statement that the internal review performed in the Sustainability Report, Chief Audit Executive should consider revealing such review being conducted in the Corporate Governance Report.

3. Is the internal audit's role is to review compliance of key components of sustainability report?

With reference to the SGX Rulebook para 5.3 [Practice Note 7.6 Sustainability Reporting Guide](#): The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report. The internal review should be risk-based, and the scope should be discussed and approved by the Audit Committee.

4. Does SGX expect only the listed companies in Singapore to provide for ESG reporting? How about Singapore branch office with head office in the US?

The SGX rules only govern companies that are listed on the Singapore Stock Exchange.

5. What are the differences in requirements on reporting & compliance for non-listed companies?

The SGX rules only applies to companies that are listed on the Singapore Stock Exchange.

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6. Does SGX require compliance to GRI/SASB?

With reference to para 4.1(e) of the SGX's [Practice Note 7.6 Sustainability Reporting Guide](#), Sustainability reporting framework. The issuer should select a sustainability reporting framework (or frameworks) to guide its reporting and disclosure. For climate-related disclosures, the issuer should report based on the TCFD recommendations.

7. Can the review take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, and approved by the Audit Committee?

Yes, with reference to para 5.3 of the [Practice Note 7.6 Sustainability Reporting Guide](#) from SGX: The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report; the review may take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, as approved by the Audit Committee.

8. I think ESG standards are still a recommendation and not mandatory, how can we enhance adherence to standards across industries?

There are currently several standards available (GRI, TCFD, SASB and others). While compliance to the standards is not mandatory, SGX has mandated that ESG activities reported in the Sustainability Report must minimally comply with TCFD for entities listed in Singapore. Additionally, entities in different industries may choose to report ESG activities with the standard(s) most representative to their organisation.

9. Does "Materials and Buildings" category of industry include businesses involved in property development, investment and facilities management? Where can we get a detailed mapping to these categories?

You may use the link provided in slide 14 of the presentation deck: SGX's Stock Screener [webpage](#) ("Thomson Reuters Sector Classification") and search for your company. The "sector" provided should map into the TCFD-identified industries.

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INTERNAL AUDITING / ASSURANCE

1. How can internal audit start internal review as of now?

Recommend starting with what SGX requires internal audit to perform and focus on the design of, and compliance with, policies, processes and internal controls to ensure the quality of the data being produced and reported. The guides, particularly the [Practice Note 7.6 Sustainability Reporting Guide](#), provides the basis. Also recommend the team to register for courses conducted by the IIA Singapore in order to stay attuned to the sustainability reporting landscape.

2. If I am from a government sector body where we don't produce goods but services. What areas can I look at for a start?

As a starting point, regardless of the industrial sectors, most can look into emission disclosure based on [SGX listing rule](#). Task Force for Climate and Financial Related Disclosure/TCFD recommends disclosure of GHG emissions in Scope 1 and Scope 2, and if appropriate, Scope 3 GHG emissions.

3. For a SGX listed company, must the company perform internal review for all subsidiaries globally? Is ESG reporting mandatory for public sector agencies in Singapore as well?

With reference to para 4.25 of the SGX's [Practice Note 7.6 Sustainability Reporting Guide](#), The issuer should assess if ESG matters in the overseas subsidiaries has material impact to the information disclosed. The issuer may use the Materiality Determination Process: Identify – Rate – Prioritise – Validate. The issuer will need to prioritise them using a matrix based on likelihood and impact. Once the issuer has prioritised its factors, they need to be internally validated and signed off by leadership. As part of the internal review, Internal auditors will need to ensure that this is performed by the Management on all their subsidiaries. ESG reporting is not mandatory for public sector agencies.

4. Is there any guidance on how internal audit should review, substantiate, and test the categories reported? How to ascertain if the measurements are true and accurate?

All internal reviews on the sustainability reporting are similar to that of other internal audits performed. It is recommended to be risk-based and conducted in compliance with the IPPF.

5. Any guidance on sampling strategy and testing approach that needs to be performed?

All internal reviews on the sustainability reporting are similar to that of other internal audits performed. It is recommended to be risk-based and conducted in compliance with the IPPF.

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6. How frequent must the external auditor review ESG?

There are 5 suggestions by SGX in external assurance including, to disclose that it has been done, the scope of work, the identity of the external assurer, the standards used and the key findings. There is no specific requirement as to the frequency of the external assurance, but it may coincide with the audit cycle of the company.

7. What is the frequency of internal audit review need to be performed on sustainability reporting?

It depends. IA should understand the design and framework which the company adopts to make a judgement. For e.g. a seasoned company would have met a lot of the requirements of the global frameworks. As such, the internal auditor can decide on the frequency of the internal audit review. Sustainability Auditing - The Evolving Trend on 14 Apr 2022.

With reference to para 5.3 of the [Practice Note 7.6 Sustainability Reporting Guide](#) from SGX: The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report; the review may take place over an audit cycle, which may span one or a few years in accordance with risk based planning, as approved by the Audit Committee.

8. Will the implementation of sustainable procurement be considered as part of the ESG programme? If yes, can we rely on the supplier's self-declaration?

Depending on what is/are published in the sustainability report, auditors should provide assurance to the readers that the disclosures are validated and supported.

9. Are there any deadlines for internal audit to report on the audit of sustainability reporting? Are we supposed to audit past FY audited statements or the current FY which has yet to be audited? Reason I am asking is that we need to validate the audited accounts instead of unaudited accounts.

Similar to any audits we performed, our audits are to focus on the design of, and compliance with, policies, processes, and internal controls to ensure the quality of the data being produced and reported.

10. What should internal audit do to ensure that the board and audit committee know it can be confident with ESG and that it is effectively managed and there is compliance with legal and regulatory obligations?

Internal Audit should discuss the findings, with recommendation(s), from the internal review with the Management and report the same to the Audit Committee. The follow-up on the implementation should also be ensured.

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- 11. Traditional audit reports have regulatory implications as regulators can request for audit reports and interpret that the company may not have a good control environment. What are some other ways that audit may be able to 'advocate' ESG without exposing the company to regulatory risks?**

The internal review conducted on the sustainability report should provide assurance to the overall framework in the collection, validation and presentation of the ESG related data. It is the responsibility of the management to 'advocate' ESG and its effort.

- 12. What are the challenges you see when internal auditor embarks on the review of the ESG? Any pitfalls to avoid or experience you can share when you or your team embark on it?**

Communication is vital. Liaise with the Audit Committee on their expectation on your team over the internal review. With the mandate, begin communication with the Chief Sustainability Officer, or a similar capacity, on the design and framework over the sustainability landscape of the company. SGX's [Practice Note 7.6 Sustainability Reporting Guide](#) will provide a good guidance to the discussion. Avoid attempting to accomplish too much in a very short span of time. SGX highlighted that the internal review may take place over an audit cycle, which may be more than one year as provided in para 5.3 of the [Practice Note 7.6 Sustainability Reporting Guide](#). Manage the expectation of your Audit Committee with this reporting guide from SGX. The identified processes relating to sustainability reporting should be incorporated into the internal audit plan, which should cover key aspects of the sustainability report; the review may take place over an audit cycle, which may span one or a few years in accordance with risk-based planning, as approved by the Audit Committee.

- 13. In terms of ESG auditing, how do we position ourselves to observe the pitfalls and challenges and at the same time delivering what we need to do?**

ESG auditing is like the audits that we perform. Analyse the high-risk areas and assess the effectiveness of processes in producing quality data. Take constant references from the SGX and TCFD disclosure requirement. This itself served as a compliance testing. Also ensure internal controls fulfils IPPF Standards with adequate documentation.

- 14. For companies that have ISO auditors that have already been doing audits related to ESG, would that be sufficient in terms of internal assurance?**

Internal review should fulfil the requirement from SGX's [Practice Note 7.6 Sustainability Reporting Guide](#). The [IPPF standard](#) provided that the CAE should consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts. The internal auditors may assess the applicability of relying on the findings from other audits/reviews.

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- 15. Some companies have engaged external assurance for TCFD disclosures which is not the scope of IA or internal review for TCFD disclosure. If an external review has already been done, does this mean that the internal auditor will not require to conduct an internal review?**

Internal review should fulfil the requirement from SGX's [Practice Note 7.6 Sustainability Reporting Guide](#). The [IPPF standard](#) provided that the CAE should consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts. The internal auditors may assess the applicability of relying on the findings from other audits/reviews. If external assurance is conducted on key aspects of the sustainability report, the company can decide that there is no need for an internal review, as the key aspects of the sustainability report has been independently assured.

- 16. Is it the role of internal audit to ensure the GRI reporting framework adopted by company for FY2022 is compliant with the GRI reporting standards?**

The objective of the internal review is to on the design of, and compliance with, policies, processes, and internal controls to ensure the quality of the data being produced and reported with reference to the selected reporting framework and SGX's sustainability reporting guide.

- 17. If the GRI reporting framework of a company uses the financial statements to report economic performance under sustainability reporting, could internal audit rely on the external auditors' work instead of performing own review?**

The SGX's [Practice Note 7.6 Sustainability Reporting Guide](#) highlighted that the sustainability disclosure can be included in the company's annual report. The issuer's sustainability disclosure may be done in its annual report. The inclusion of sustainability risks and opportunities with the businesses' other risks and strategy in the same document presents advantages to the user. Sustainability reports contained within annual reports would observe annual report deadlines. With this provision, the SGX's guide mandated the execution of the internal review to be conducted by the Internal Audit function, and in compliance to the International Standards for the Professional Practice of Internal Auditing (IPPF) issued by The Institute of Internal Auditors. The external audit does not execute on their works on the provision of IPPF. The [IPPF standard](#) provided that the CAE should consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts. The internal auditors may assess the applicability of relying on the findings from other audits/reviews. The Internal Audit Function should ensure that the ESG-related processes are able to comply, at least, to the TCFD recommendations. If external assurance is conducted on key aspects of the sustainability report, the company can decide that there is no need for an internal review, as the key aspects of the sustainability report has been independently assured.

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18. Can I confirm that SGX has excluded data accuracy and completeness requirement previously suggested during consultation?

There cannot be absolute assurance provided by any auditors on the data accuracy and completeness of data audited and disclosed. SGX did not specifically exclude data accuracy from their guides. SGX did highlight in their Response paper that Internal Auditor is focusing on the design of, and compliance with, policies, processes, and internal controls to ensure the quality of the data being produced and reported. That said, egregious or persistent errors in data may show lapses or weaknesses in the reporting process.

19. Late last year, there was the announcement to consolidate sustainability disclosure organisations - SASB and IFRS. Do you think that will impact the SGX Sustainability Reporting requirements?

If the company selected other globally recognised frameworks as a guide, internal review should be performed with reference to the selected reporting framework(s) in order to meet the “objective”.

20. Good outline in white paper for internal audit’s role, however, the internal auditor may not have the expertise for all aspects of ESG and climate change issues. Is that IA scope to conduct materiality or risk assessment on ESG reporting?

Internal audit will play a part in enabling and providing the necessary skillsets. For internal auditors in Singapore, you may refer to the guidelines provided by SGX. Internal auditors should focus on design and processes of the ESG-related workflow so that the related processes are able to deliver the required content of the Sustainability Report.

21. Can you please name sources for ESG guidance or best practice?

You may refer to the following documents as reference.

- [Internal auditing’s Role in ESG Reporting](#)
- [Guide to Internal Review in Sustainability Reporting](#)
- [Achieving Effective Control Over Sustainability Reporting](#)
- [Embedding ESG and Sustainability Considerations into the Three Lines Roles](#)

22. In terms of S – social, what process areas for internal audit to look at in the audit scoping?

Regardless if it is E, S or G, the few focal points will be to provide an assurance if there is an overall governing framework in the collection, validation and presentation of the facts published in the sustainability report. Similar to other auditing scope, the auditors should validate the published numbers.

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OTHERS

1. What could be the top 5 risks in ESG review?

Risks and their mitigating methods are unique to each company. The size and available resources determine the journey to internal review which we recommend that this matter to be discussed with the Audit Committee. The risk assessment of the Audit Committee will fundamentally decide the scope of the internal review to be performed.

2. Is there a similar framework for ESG reporting in the public sector in Singapore?

Although there is no such similar framework for ESG reporting in the public sector in Singapore, the public sector's new sustainability movement, [GreenGov.SG](https://www.green.gov.sg) was launched in July 2021 under which public sector agencies will strive to attain sustainability targets in carbon abatement and resource efficiency.

3. Any model sample of ESG reports to recommend?

Please refer to para 4 of the [Practice Note 7.6 Sustainability Reporting Guide](#) on the Contents of Sustainability Reporting. IIA Singapore would like to highlight that the Board has ultimate responsibility for the issuer's sustainability reporting. Consistent with its role, the Board should determine the ESG factors identified as material to the business and see to it that they are monitored and managed. Management has responsibility to ensure that the ESG factors are monitored on an ongoing basis and properly managed. The Board's close interaction with management will enable the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. Sustainability Auditing - The Evolving Trend on 14 Apr 2022.

4. How to assess ESG compliance across the supply chain of a company instead of just looking at company on standalone basis?

It should include the analysis of the entire value chain of the company, extending into the vendor selection and ESG requirement.

5. How could we as an internal audit assist company with limited resources (human capital, technical knowledge, financial resources etc) comply with ESG reporting requirements? e.g. many of times, management has no resources to ensure compliance, data collection, monitoring etc

The responsibility of the compliance to ESG reporting requirement resides with the management and not the line three role. If the management cannot ensure compliance, data collection and monitoring, these should be highlighted in the result of the internal review of the sustainability report when presenting to the board.

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6. External assurance mainly on limited assurance. Any requirements for reasonable assurance?

The assurance profession distinguishes between reasonable assurance engagements and limited assurance engagements. For more details, please refer to the relevant assurance standards, for example the ISAE 3000 issued by the IAASB.

7. My company has been publishing sustainability metrics for the past few years. Do you have recommendations on how to handle if there are errors noted in prior years' numbers? E.g., restate only if errors exceed a certain percentage?

In summary, with reference to paras 3.4 and 4.18 to 4.22 of the [Practice Note 7.6 Sustainability Reporting Guide](#), the definition of materiality should be defined and agreed between the Management and the Board, whom the latter is required to issue a Board statement on the oversight over sustainability practices. Similar to any financial results publication, any material errors/adjustment should be explained.

8. What are the penalties by SGX for a) Not completing the internal audit review? B) Incomplete/improper internal audit review of sustainability reporting?

The Board has ultimate responsibility for the issuer's sustainability reporting. The Board's close interaction with management will enable the Board to satisfy itself on the way sustainability governance is structured and functioning through the various levels of management. If any question is raised regarding the issuer's sustainability reporting, the Board and management should make sure it is addressed. Please refer to the SGX's webpage on the Overview of Enforcement. Sustainability Auditing - The Evolving Trend on 14 Apr 2022.

9. What if we come across greenwashing? Esp if it was reported/disclosed otherwise in earlier SR to public?

IA should highlight in the result of the internal review of the sustainability report (to the board) that errors in reporting were discovered and recommend a reinstatement. SGX provided that adjustments can be made to the numbers previously disclosed so long as the reasons and the reinstatement are adequately explained.

10. How does gender fit into ESG?

Globally, there is a strong drive towards board diversity that addresses gender, skill and experience, and other relevant aspects of diversity. Gender diversity in ESG is no exception. Diverse boards can better anticipate risks, identify opportunities, and consider the interests of various stakeholders, leading to more effective ESG strategies and outcomes.

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CERTIFICATIONS / TRAININGS

1. Any certification / accreditation course of sustainability reporting that internal auditor can take?

IIA Singapore will conduct courses that will provide understanding and requirement during the execution of the internal review on the sustainability reporting. There is no plan of any certification on such courses because the related-risks and the possible approaches to sustainability reporting differ between entities.

2. Is there any formal audit certification available for ESG?

Thus far there is no ESG Certification yet but there is a [ESG Certificate](#) by IIA Global.

3. What additional qualifications or skill sets do internal auditors need to have in order to perform internal reviews of sustainability reporting?

In order to conduct the internal review of the sustainability reporting effectively, all internal auditors are recommended to be familiar with the guides provided by SGX and the global reporting framework the company decided to comply (minimally the TCFD). IIA Singapore has curated 2 courses to be released in due course. More trainings and sharing sessions will be organised to equip the internal audit professionals the necessary up-to-date knowledge and requirement.