

S'pore companies disappoint in sustainability reporting

Of the 502 listed companies covered by a study, only 37.1 per cent communicated their sustainability practices

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MORE than six in 10 of Singapore's mainboard-listed companies are still not communicating their sustainability practices to their stakeholders, says a new study.

And at the rate these companies are carrying on, less than half of them will be doing so by 2018 – when they are required to do it.

The study by the National University of Singapore (NUS) Business School's Centre for Governance, Institutions and Organisations (CGIO) and the Asean CSR Network (ACN) examined the mainboard-listed companies that disclosed information between Jan 1, 2014 and Dec 31,

2015 – and found that only 186 of the 502 companies covered – 37.1 per cent – communicated their sustainability practices.

This means that more than 60 per cent of mainboard-listed companies are still not doing this.

The 186 companies that communicated their sustainability practices is an increase from the 60 companies in 2013 and the 79 in 2011.

Of the 186, 164 did it through a section in their annual reports. Only 15 companies had a standalone sustainability report. The remaining seven produced both an integrated annual report and a standalone report.

Information on sustainability covers the environmental, social and governance factors in play for a com-

pany, showing the risks and opportunities within sight.

The study found that, generally, companies with standalone sustainability reports tended to have more comprehensive disclosures; they also put more effort into integrating sustainable business practices into their corporate strategies and operations.

The study, titled "Sustainability reporting in Singapore: The State of Practice among Singapore Exchange (SGX) Mainboard Listed Companies 2015", noted that the number of companies communicating their sustainability practices has gone up over the years, but that the rate of increase still leaves much to be desired.

CGIO director, Associate Professor Lawrence Loh, said: "While Singapore has made good progress, we still lag behind our regional peers substantially. At our current rate of progress, less than half of companies will be reporting sustainability by 2018."

It is not mandatory for listed companies here to communicate their sustainability practices, but the Singapore Exchange (SGX) requires every listed issuer to prepare an annual sustainability report – or explain why they haven't done so.

SGX says it believes that "the addition of sustainability reporting to financial reporting provides a more comprehensive picture of the issuer ... (and that) taken together, the combined financial and sustainability reports enable a better assessment of the issuer's financial prospects and quality of management".

The requirements take effect in 2018, for financial years ending on or after Dec 31 next year.

Prof Loh said, "While the new SGX sustainability reporting requirement of 'comply or explain' is timely, it won't be enough.

"Companies have to recognise the long-term benefits of consistently re-

porting sustainability and take action."

A companion study covering listed real estate investment trusts (Reits), titled "Sustainability reporting in Singapore: The State of Practice among Singapore Exchange (SGX) Mainboard Listed Real Estate Investment Trust 2015", made more encouraging findings.

It found that 27 of the 33 Reits covered (81.8 per cent) communicated their sustainability practices – compared to 21 Reits out of 29 in the 2013 pilot study.

In 2015, the 27 Reits communicated their sustainability efforts through their annual reports; none did so in a standalone sustainability report.

Also, seven also communicated this information on their corporate website.

The study noted that, "while the increase in the number of Reits commu-

nicating sustainability is encouraging, they could be further motivated to publish a standalone sustainability report that would show more of their commitments to sustainability practices".

The studies are affiliated to a large research study on the state of sustainability reporting of companies listed on the four major stock exchanges in Asean – namely those in Indonesia, Malaysia, Singapore and Thailand.

Thomas Thomas, the chief executive of ACN, says he hopes the next report will show greater progress by Singapore-listed companies.

"Sustainable companies have better performance over longer term. It fits well into the communities they operate in and are able to respond to changes better. Our study of four Asean markets has shown that Singapore has some catching up to do, in terms of number of companies reporting and level of disclosure."