

Study: More SGX-listed firms reporting on sustainability

Increasing numbers of Singapore Exchange-listed (SGX-listed) companies have embarked on sustainability reporting but board commitment is questionable, a study found.

It noted that 327 out of 678 – or 48.3 per cent – of SGX mainboard and Catalist-listed companies communicated their sustainability practices. This translated to an average level of disclosure of 55.3 percentage points as at May 31.

The study examined information disclosed by SGX-listed companies between Jan 1, 2017 and May 31, 2018 and compared the data with biennial studies conducted in 2016 and 2014.

In 2016, the SGX introduced sustainability reporting for all publicly listed companies on a “comply

or explain” basis.

While the percentage of reporting companies has increased from 37.1 per cent in 2016 and 31.3 per cent in 2014, the average level of sustainability disclosures increased by just three percentage points since 2016 from 52.1 per cent to 55.3 per cent.

City Developments, CapitaLand, Singtel, Olam International and DBS Group came out tops for best practices in sustainability communication.

The study noted that 186 out of the 327 companies demonstrated board-level involvement in identifying and managing economic, environmental and social impacts, but only 31 companies had linked performance in these areas with the remuneration of board members and

senior executives.

Meanwhile, 96 companies disclosed training policy on these topics for directors but disclosure on the board’s involvement in driving sustainability was seen as limited.

“Driven by the new requirement, the state of sustainability reporting has witnessed major advancements in the past two years,” noted Associate Professor Lawrence Loh, director of National University of Singapore Business School’s Centre for Governance, Institutions and Organisations.

“However, board leadership and commitment have to be elevated for this reporting to keep the momentum. These will be the most critical incentives for sustainability to be robustly embedded across the entire company.”

The report was compiled by Prof Loh’s centre and the Asean CSR Network. It looked at five components: material economic, social and governance factors; policies practices and performance; targets; sustainability reporting framework and board statement.

Policies, practices and perfor-

mance was best disclosed, with 308 companies following through in this respect, up from 137 in 2016.

Sustainability reporting framework was the least adhered component with 201 companies reporting the primary components, although this was up from 167 firms in 2016.

However, gaps still exist between the material issues reported and stakeholders’ expectations, particularly, disclosures pertaining to emissions, biodiversity, product and services stewardship.

The evident gap could be due to the large number of first-time reports or ineffective stakeholder engagement, the study noted.

It also looked at sustainability reporting practices of the largest companies by market capitalisation listed on the major bourses of Indonesia, Malaysia, the Philippines, Singapore and Thailand.

Malaysia had the highest score of 64.5 percentage points in overall sustainability disclosure level, followed by Singapore, Thailand, the Philippines and Indonesia. Overall, Asean countries had made progress from 2016.