

More SGX-listed firms embark on sustainability reporting

But improvements are needed in the area of reporting quality, level of disclosures

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MORE Singapore Exchange (SGX)-listed companies have embarked on sustainability reporting, but there is significant room for improvement in reporting, a study says.

The latest *Sustainability Reporting in Singapore* study by the National University of Singapore (NUS) Business School's Centre for Governance, Institutions and Organisations (CGIO) and Asean CSR Network (ACN) shows that 327 out of a total of 678 – or 48.3 per cent – mainboard- and Catalyst-listed companies communicated their sustainability practices. This translates to an average level of disclosure of 55.3 percentage points as at May 31 this year.

In 2016, the SGX introduced sustainability reporting for all publicly listed companies on a “comply or explain” basis, which has boosted the number of reporting companies from 186 before the new ruling.

“Although the number of report-

ing companies has risen, the average quality of sustainability disclosures in the past year did not improve in tandem with the rising number of reporting companies, likely due to the novelty of the SGX ruling,” the report says.

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

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.

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

By sector, agriculture had the highest level of disclosure, and construction, the lowest.

At the same time, the report also highlights some areas for improvement, such as the lack of sustainability-related training for the board.

Some 186 out of the 327 companies demonstrated board level involvement in identifying and managing

economic, environmental and social (EES) impacts, but only 31 companies had linked EES topics performance with the remuneration of board and senior executives, the report shows.

Meanwhile, just 96 companies disclosed training policy on EES topics for board of directors, while disclosure on the board's involvement in driving sustainability is also seen as limited.

Lawrence Loh, director of CGIO at NUS Business School, said: “Driven by the new requirement, the state of sustainability reporting has witnessed major advancements in the past two years. However, board leadership and commitment have to be elevated for this reporting to keep the momentum.”

The *SGX Sustainability Reporting Guide* looks at five components, namely: material economic, social and governance (ESG) factors; policies practices and performance; targets; sustainability reporting framework and board statement. “Reporting across all five primary components has surged since the SGX ruling took effect in 2016,” the report notes.

Policies, practices and performance component was best disclosed, with 308 companies – up from 137 companies in 2016 – following through in this respect. Sustainability

reporting framework was the least adhered to, with 201 companies reporting the primary components, although this was up by 167 companies vis-a-vis 2016.

Meanwhile, companies are seen as still struggling with the process of identifying the issues to include in reporting, with gaps still existing between the material issues reported and stakeholders' expectations, and in particular, disclosures relating to emissions, biodiversity, product and services stewardship. The gap could be due to the large number of first-time reports, or ineffective stakeholder engagement, the report says.

The study 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.

In the region, 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 have made progress from 2016.

“The challenge is to continue with better reporting which can only come with better adoption and implementation of sustainability issues by businesses,” said Thomas Thomas, chief executive of ACN.