NUS National University of Singapore

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Singapore companies get better at sustainability reporting: review

But there remains 'ample room for improvement' in areas including depth of reporting and use of independent assurance, say authors of Sustainability Reporting Review 2021

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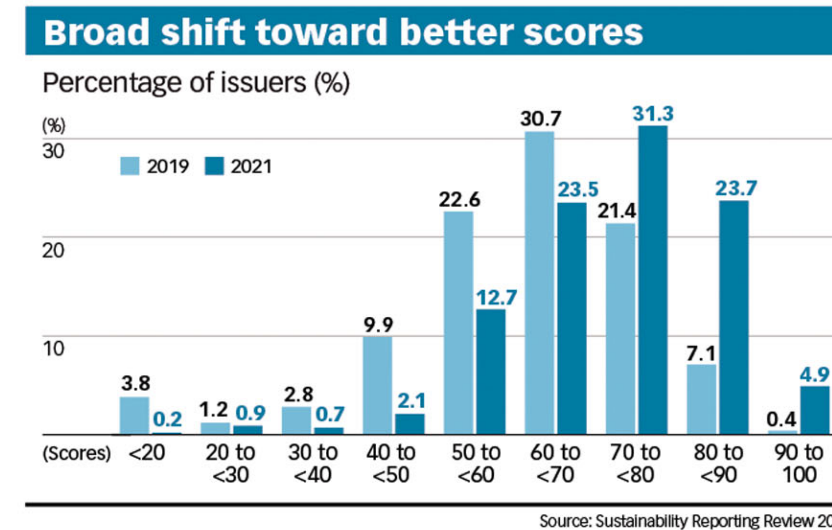
SINGAPORE-LISTED companies are said to have improved their sustainability disclosures in the past year – a not-inconsiderable achievement during such challenging times, and a notable one in an era where such information has become more consequential.

But, there is still "ample room for improvement", say the authors of the Sustainability Reporting Review 2021, in areas such as the depth of reporting, the use of independent assurance, and being able to understand the "whys" and "hows" behind the companies' determination of the "whats" to disclose.

Tan Boon Gin, CEO of SGX RegCo, says: "That issuers have become generally better in terms of their sustainability reporting in just a few years is heartening to see." BT FILE PHOTO



Source: Sustainability Reporting Review 2021

The review, published on Wednesday, was carried out jointly by Singapore Exchange Regulation (SGX RegCo) and the Centre for Governance and Sustainability (CGS) at the NUS Business School; it assessed the sustainability reports published by 566 listed issuers as at Dec 31, 2020.

"That issuers have become generally better in terms of their sustainability reporting in just a few years is heartening to see," said Tan Boon Gin, CEO of SGX RegCo. "Nevertheless, the call globally for efforts on the climate change and sustainable development fronts has grown exponentially and with a new urgency. Singapore too has stepped up measures in these areas and SGX is similarly committed.

"In response to these needs, we will consult the market in due course on proposals to place greater emphasis on climate-related disclosures, assurance and structured formats for reporting," he said.

The report noted that its review comes amidst key global developments affecting sustainability management and reporting, such as the Covid-19 pandemic, a global boom in sustainability-linked financing, and Singapore's own plans for a green economy.

It said it was, therefore, "heartening" to note across-the-board improvements among the companies reviewed: the average overall score of the listed companies assessed rose to 71.7 points (out of a maximum possible 100 points) in 2021, from 60.6 points in the last review in 2019.

The scores reflect the companies' compliance with the requirements of the SGX Sustainability Reporting Guide. Specific attention is given to their general reporting scope (10 per cent of the overall score), along with five specified primary components: material ESG (environmental, social and corporate governance) factors (20 per cent); policies, practices and performance (20 per cent); targets (20 per cent); sustainability reporting framework (15 per cent); and board statement (15 per cent).

The review noted that companies not only conformed more closely to regulatory standards, but there was also an overall increase in reporting quality, with a clear shift towards better scores – 59.9 per cent of companies scored at least 70 points in 2021, compared to 28.9 per cent in 2019.

It also noted that the average score on the sponsor-supervised Catalist board overtook the Mainboard's average: the Catalist average rose 14 points to 73.8 points, while the Mainboard average rose 9.9 points to 70.7 points.

Sustainability reporting practices also improved across all industry sectors, with real estate maintaining its lead from 2019, reflecting the ongoing effect of previously developed guidelines for sustainability-related practices in that sector.

The report said disclosures reflected better, but still limited, depth of reporting. All the companies included in the report disclosed material topics, and almost all disclosed their reporting scope, stakeholders and targets.

Reporting was also more balanced, with 66 per cent disclosing unfavourable aspects of their sustainability performance, up from 55 per cent in the previous review, while half showed both positive and negative trends in their performance, compared to 26 per cent previously.

The review also noted that issuers are embedding sustainability more deeply into their corporate structures and strategies. "Although the proportion of issuers that linked top executive remuneration and EESG (economic, environmental, social and governance) performance was a modest 26 per cent, it marked a significant increase from 8 per cent in the 2019 study. That improvement is also notable because whereas the 2019 study found that most issuers disclosing this linkage were large caps, such disclosures are now more widespread across the market," it said.

The depth of reporting, however, could be improved. For example, while nine out of 10 issuers disclosed their reporting scope – defined, for example, by geography or business functions of operating entities – only 50 per cent explained why they chose these definitions, though this is still an improvement over the 36 per cent that did so in 2019.

Independent assurance also remains uncommon, with only 21 per cent of issuers obtaining either internal or external assurance, or both, for their sustainability reports. And, on disclosures about material factors, a lower proportion of issuers discussed engaging stakeholders to determine materiality compared to 2019.

The preparers of the report believe that a more targeted approach – one aimed at the gaps highlighted in their report – would help improve companies' sustainability reporting.

"Despite an overall improvement in reporting quality, the review found uneven progress depending on an issuer's listing board, size and industry sector. For instance, the Mainboard's small-sized issuers may deserve more attention, while the reasons behind the Catalist board's strong performance could offer lessons for the rest of the market," it said.

Associate professor Lawrence Loh, director of CGS, said he hopes the review will aid companies in prioritising and pursuing the potential benefits of better sustainability reporting – being able to attract environmentally-conscious customers, obtain lower-cost financing and better access to capital, which would help companies improve their resilience in the face of future challenges.

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