

SUSTAINABILITY REPORTING

A Boon or Bane for Businesses?



BY
LIM JU MAY AND KEVIN YONG

Every listed issuer on the Singapore Exchange (SGX) will need to prepare an annual sustainability report for financial years ending on or after 31 December 2017. A phased approach allows issuers to differ the speed at which they progress in the quality and depth of reporting, but they are expected, at a minimum, to provide an assessment of material environmental, social and governance (ESG) factors, and the policies and/or practices to address these factors.

Are businesses approaching this new SGX requirement as another compliance exercise, or are they viewing it as a catalyst for genuine change towards more sustainable and responsible business practices? More importantly, is this a peripheral green issue or an impetus that will bring real benefits to businesses? We approached eight organisations that have early-adopted sustainability reporting to share their experiences.

Sembcorp Industries Ltd

KOH CHIAP KHIONG, GROUP CHIEF FINANCIAL OFFICER AND CHAIRMAN OF SEMBCORP INDUSTRIES' SUSTAINABILITY STEERING COMMITTEE

We started reporting aspects of sustainability in 2001. In 2009, we adopted the Global Reporting Initiative guidelines and published our first sustainability report. We believe that transparency and disclosure of non-financial performance helps stakeholders assess the long-term sustainability of the company, and is just as important as financial disclosures.

What gets measured gets managed

The saying that "what gets measured gets managed" rings true. The measuring, monitoring and reporting of non-financial indicators have resulted in greater attention being paid to ESG issues. This in turn helps us improve our internal systems and processes, making us more attuned to the risks and opportunities that may arise from the issues in question.

CapitaLand Limited

TAN SENG CHAI, GROUP CHIEF CORPORATE OFFICER AND CHAIRMAN OF THE CAPITALAND SUSTAINABILITY STEERING COMMITTEE

Inspires confidence in investors

CapitaLand is one of the first companies in Singapore to voluntarily publish our Global Sustainability Report for FY 2009, before the Sustainability Reporting Guidelines were introduced by SGX in 2011. Our reports reference the latest versions of international guidelines and are independently verified to AA1000 Assurance Standards. Our external assurance engagement was also conducted in accordance with the International Standard on Assurance Engagements 3000, which is the standard for assurance of non-financial information. This sustainability report aims at inspiring confidence among investors who seek longer-term investment in companies with a comprehensive risk management strategy, including issues pertaining to ESG.

Focus on sustainability brings other benefits

Sustainability is integral to the way we do business. Our sustainability strategy is aligned with our credo of "Building People. Building Communities.", and we are committed to improving the economic and social well-being of our stakeholders through the execution of our development projects and management of our operations. We find that by focusing on sustainability first, all other benefits fall into place naturally - from cost avoidance arising from reduced energy and water consumption to future-proofing our properties ahead of the implementation of some regulatory requirements or climate change, greater employee engagement, and being recognised by the investment community as a leader in sustainable development.

We are pleased to be the only Singapore company to receive a Bronze medal distinction in *The Sustainability Yearbook 2016*, to be recognised as a Global Real Estate Sustainability Benchmark (Regional Sector Leader for Asia, Diversified), and to be included in the Global 100 Most Sustainable Corporations in the World for five consecutive years. CapitaLand was included in SGX's new Sustainability Leaders Index, adding to our listings in other sustainability-linked indices globally, such as the FTSE4Good Index Series and the recently-launched regional FTSE4Good ASEAN 5 Index.

PHOTO SHUTTERSTOCK

Frasers Centrepoint Limited

LIM EE SENG, GROUP CEO

Building a sustainable business

As an international real estate company with diverse exposure across residential, commercial, hospitality and industrial segments, we believe we have the responsibility to influence and shape the way communities live, work, shop and play within the four walls and beyond. Our aim is to develop sustainable environments which are resource-efficient, contribute to thriving local economies and provide stimulating workplaces for people to realise their full potential. At the strategic level, we are focused on building a sustainable business that will be delivering value to our stakeholders for many years to come.

Greater collaboration and a structured approach

Sustainability reporting not only helps us communicate our commitment and performance to all our stakeholders, it provides us with a platform for greater collaboration among the business units to achieve our sustainability agenda. In addition, sustainability reporting lends itself to a structured approach through which we can better track and measure our sustainability efforts, as well as formulate our strategies more effectively.

Cambridge Industrial Trust Management Limited

PHILIP LEVINSON, EXECUTIVE DIRECTOR AND CEO

Much more than corporate social responsibility

Cambridge Industrial Trust Management is a mid-cap Singapore-listed REIT which constantly seeks to punch above our weight. We are among the first to adopt progressive sustainability practices as we believe that operating in a sustainable, socially-responsible manner is not only the right thing to do, it has a long-term profound positive effect on our business. We recognise that sustainability is about much more than just corporate social responsibility. The focus on sustainability means a focus on critical issues around corporate governance, social and environmental issues that are related to our core business, to ultimately enhance shareholder value.

Draws in large global institutional investors

We were very fortunate to have our efforts recognised through the inclusion in SGX's inaugural Sustainability Leaders Index (Flagship Index), one of only 24 companies to be included. This has added another measurable dimension to our sustainability reporting efforts and has been favourably received by institutional investors.

We believe that having progressive, large global institutional investors as our shareholders is fundamental to our future growth. Over the past year, we have met a number of senior fund managers globally for whom sustainability is front-of-mind. We have received many positive comments on our report, which has encouraged us to continue to highlight our efforts in this area to the investors and stakeholders we meet.

M1 Limited

IVAN LIM, DIRECTOR, CORPORATE COMMUNICATIONS

Responsible business practices, commitment to value

Sustainability reporting enables M1 to demonstrate our commitment to creating long-term value through responsible business practices, as well as provide greater transparency for all our stakeholders, including customers, staff, regulators, investors, and the communities that we operate in.

M1's inaugural sustainability report was introduced as part of our FY 2011 annual report. We continually strive to strengthen our sustainability practices through the introduction of initiatives such as the M1 Supplier Code of Conduct in 2015, and aligning our reporting to the latest Global Reporting Initiative (GRI)'s guidelines. Specifically, the GRI G4 guidelines, announced in late 2013, was adopted in our FY 2014 M1 Annual Report.

StarHub Ltd

JEANNIE ONG, CHIEF STRATEGIC PARTNERSHIP OFFICER

Sustainability: A key area of focus

StarHub has always recognised that sustainability is a necessary key area of focus for a company and its stakeholders. When we published the first sustainability report back in 2011, we were among the few listed companies in Singapore to do so.

We are honoured to be ranked the eighth most sustainable companies in the world in 2016 by the Corporate Knights Global 100 - the highest accolade ever to be accorded a Singapore company. This honour comes from the recognition of our strategy through sustainability reporting, and provides our stakeholders and investors with the confidence in reaping strong economic value through our long-term business strategy, governance framework and risk management.

A growing customer base and talent attraction

Customers and employees also feel good knowing they are buying from or working for an innovative, profitable company that is committed to environmental and social good. These have helped us retain and increase our customer base as well as attract talents in a competitive industry.

Ascendas REIT

CHIA NAM TOON, EXECUTIVE DIRECTOR & CEO OF
ASCENDAS FUNDS MANAGEMENT (S) LTD (MANAGER OF ASCENDAS REIT)

Long-term value creation

A-REIT embarked on sustainability reporting in 2013 with the aim of creating greater transparency and accountability to our unitholders. We recognise that to ensure long-term value creation and sustainability of the Trust, we have to assess not just our financial but also our non-financial risks and opportunities.

Motivated to improve processes

By measuring and disclosing our ESG performance, we are continuously motivated to improve processes, adopt best practices and mitigate problems that impact our strategy, operations and long-term prospects. As an example, we recently tightened our internal procurement processes to ensure that the suppliers meet our stringent financial, health and safety standards; we also enhanced the delivery of our customer experience to differentiate ourselves in a highly-competitive environment.

Singapore Telecommunications Limited

ANDREW BUAY, VICE PRESIDENT, GROUP CORPORATE SOCIAL RESPONSIBILITY

Provides a lens to identify material topics

The discipline required for sustainability reporting, such as conducting stakeholder engagement, materiality assessment (that is, what material topics our various stakeholders are concerned with) and value and supply chain analyses, was especially useful to help shape and sharpen our sustainability strategy. For example, it provides a lens for us to identify the material topics that exist in our value chain - both the risks and opportunities - which allows us to focus our efforts on these areas. These reports are also a great communication tool with our stakeholders as they explain our strategy, programmes, targets, achievements and shortcomings.

CLOSING REMARKS

From the above experiences and insights from eight organisations on the benefits of sustainability reporting, it is clear that sustainability provides an added dimension to profitability and wealth creation. A sustainability report reveals the soul of an organisation, and provides an ideal opportunity for it to nurture and build its character or branding. Will sustainability reporting bring about a real change in business practices? Only

time will tell. But at the very least, it brings about a more level playing field, showcases quality management, and channels resources to sustainability practices and efforts. ISCA

This is the first article in the ISCA Corporate Reporting Committee's series of articles on sustainability reporting to raise awareness and quality of sustainability reporting in Singapore.

Lim Ju May is Deputy Director, and Kevin Yong is Senior Manager, Financial Reporting Standards & Corporate Reporting, ISCA.