

WhyItMatters

# Sustainability gains traction

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Sustainability reporting, or the practice of publishing the impact of a company's economic, environmental and social activities, is increasingly gaining traction among corporates worldwide amid a global push for sustainable business standards.

So when the Singapore Exchange last Monday laid down new "comply or explain" rules for listed firms to conduct an annual review of their sustainability, market watchers gave the move the thumbs-up. Under the framework, which takes effect in 2018, all listed companies must publish a sustainability report within five months of the end of a financial year, or explain their decision to not do so.

The move follows the release of a consultation paper to the public earlier this year. Singapore's sustainability shift is only just gaining momentum, even as the practice has taken hold in many other markets, driven largely by investor demand. Many developed markets - such as those in the European Union and the US - have worked sustainability reporting into regulation or standards.

Still, Singapore has taken big steps in this regard in recent years following an annual haze crisis in South-east Asia that has worsened year after year. Much of the blame lies with the indiscriminate clearing of land for oil palm cultivation in concessions owned by big plantation companies.

Requiring companies to perform sustainability reporting may force them to look deeply into their business practices and improve in areas where they are lacking. Investors can do their part too, by raising sustainability issues at annual general meetings or avoiding companies with a questionable commitment to sustainability.

There may still be some way to go for Singapore to achieve a gold standard in sustainability reporting and some companies may have difficulty setting aside the time and resources needed for the new reports.

But better late than never, as the bourse continues its efforts to enhance disclosure and transparency of the stock market and, in turn, safeguard the interests of companies and investors alike.

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