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SGX's first step towards 'comply or explain' for sustainability reporting

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Singapore

THE Singapore Exchange (SGX) is reaching far and wide to gather feedback as it prepares to make listed companies follow sustainability reporting guidelines or else explain why they are not doing so.

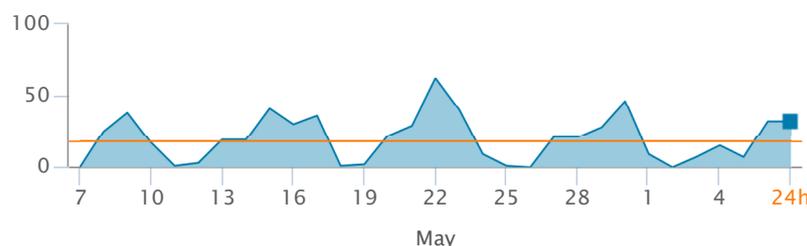
"Expanding the coverage of reporting to include environmental and social aspects of businesses will further enhance disclosure and transparency to investors," the market operator said in a statement. "Sustainability reports complement financial reports to give investors an appreciation of the long-term value of the company."

SGX has had a guide to sustainability reporting since 2011, but companies do not have to follow it. In October 2014, SGX chief executive Magnus Bocker first mentioned his plans to shift towards a "comply or explain" regime, where companies that do not follow the guidelines will be expected to explain why.

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The exchange expects to submit changes to the listing rules and a reviewed version of the reporting guide by the end of 2015, with implementation targeted for financial year 2017.

The public consultation for this initiative will be one of the most openly elaborate and broad-ranging ones by the exchange, with different phases aimed at issuers, professionals and investors.

The exercise begins this month with a survey of all listed companies and a series of focus-group engagements. The exchange will then reach out to institutional investors and sustainability professionals, before a full consult with the broader public.

"There has been a growing momentum of sustainability reporting by investors and shareholders globally," Mr Bocker said in a statement. "To do this right, we are open to feedback throughout the exercise as we seek to write new listing rules and a guide that is well understood and beneficial to all users."

SGX is not the only exchange moving to strengthen sustainability among its issuers. Certain environmental, sustainability and governance reporting guidelines become "comply or explain" in Hong Kong this year. In London, government regulations have required disclosures on greenhouse gas emissions, human rights and diversity since 2013.

David Gerald, president of retail investor advocacy group the Securities Investors Association of Singapore, said that it was "about time".

"The world is ahead of us," he said. "If we want to be a global player and attract global investments, we must have sustainability reporting. It is good to make this comply or explain. I don't see any pitfalls."

A July 2014 report by the Singapore Compact for Corporate Social Responsibility (CSR Singapore) and the National University of Singapore Business School found that 160, or 30 per cent, of 537 mainboard-listed companies in 2013 discussed sustainability in some form, and 141 had sustainability information in their annual reports. CSR Singapore executive director Christopher Ang praised SGX's latest move.

"Comply or explain is only the first step for Singapore listed companies, and a concerted effort to push towards regulatory change in the longer term is necessary," he said. "Such transparency and accountability can only lead to greater trust in the listed company, increase positive mind share among consumers and attract high quality and responsible investments."

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