



# Get on the sustainability agenda, or go out of business

**I**n ranking-obsessed Singapore, there is one particular area that the trade-reliant city-state needs to work harder on: sustainability.

A May report by professional services firm PwC and the National University of Singapore's Centre for Governance and Sustainability showed that only 20 per cent of listed companies in Singapore peg their remuneration of top executives to environmental, social and governance (ESG) factors.

This was just slightly above the region-wide average of 16 per cent, out of the 650 Asia-Pacific listed companies assessed for their quality of sustainability reporting.

With just 20 per cent of listed companies linking remuneration to ESG performance, Singapore is behind markets like Australia (more than 50 per cent), Taiwan (30 per cent) and Thailand (25 per cent).

In April this year, the Economist Intelligence Unit launched its ESG country ratings and gave Singapore a 'B' grade. Out of the 14 countries that scored an 'A', 12 were from Europe, while the remaining 2 were Australia and New Zealand.

The ratings draw on 90 indicators such as decarbonisation, environmental stewardship, labour conditions, equality, the functioning of government, and corporate governance.

While Singapore outperformed globally on measures such as the functioning of government, corporate governance, and waste and water management, its rating was weighed down by lower scores for decarbonisation, environmental stewardship and labour conditions, said EIU's industry manager Swarup Gupta.

Although there isn't an internationally-recognised benchmark yet to assess how markets are faring on its progress in transitioning to a sustainable economy, these rankings do reflect that there are gaps Singapore needs to close.

Corporate governance expert Mak Yuen Teen said one reason why Singapore was a laggard in this regard is that it has typically followed a shareholder model of corporate governance, which prioritises the returns on investments.

But the global financial crisis between 2008 and 2009 brought home the dangers of an excessive focus on maximising shareholders, and the Covid-19 pandemic laid bare heightened concerns about income inequality and climate risks, spurring regulators and investors to pay closer attention to ESG factors.

Fang Eu-Lin, sustainability and climate change leader at PwC Singapore, said that the realisation of climate change, the development of sustainability as a concept across businesses and governments, technological advancements, and the role of finance have also helped push the transition along.

With the code of corporate governance revised in 2012, and sustainability reports mandated from 2022, there is a gradual shift here in focusing more on the interests of stakeholders, noted Mak, who is a professor of accounting at NUS Business School.

From a macro perspective, the government's agenda on sustainable development was made clear with the Singapore Green Plan 2030, the hiking of carbon taxes, and commitments made



**"The illegal mining of gold not only endangers lives, it causes irreversible damage to the environment, which in turn affects the livelihood of the entire community."**

**Frank Chen, Founder & Managing Director of BR Metals**

**"You cannot take your eye off because it is a moving target. It motivates everybody to understand that when corporate giants and institutions are taking all these measures, I better align myself."**

**Robson Lee, partner with global law firm Gibson Dunn & Crutcher**



**"Climate change and the uncertainty of our energy sources from fossil fuels is a critical matter now and the sooner we adopt a renewable energy infrastructure, the better..."**

**Gerald Tan, Founder & Managing Director at G8**

**"Our corporate purpose is to contribute to the realisation of a vibrant and sustainable society through continual technological innovation and ceaseless creativity through all of our activities."**

**Frederick Goh, Director of Corporate Affairs at Mitsubishi Electric Asia**



**"As a business leader, I can harness my experience and know-how to create a ripple effect that will start the winds of change and break out of the mould..."**

**Lynn Tan, Founder & CEO of The Powder Shampoo**

**"Our foundational values of integrity and continuous improvement fuel our commitment for the long-term success of our company, the countries where we operate and the communities we visit."**

**Angie Stephen, Vice President & Managing Director, Asia Pacific, Royal Caribbean International**



**"Sustainability means starting the business right! You can't make a brown industry, green. Sustainability isn't a vertical stream of activity in our business model. It is our business model."**

**Anderson Tanoto, Managing Director, RGE**

to net-zero carbon emissions.

"In my view, it is only a matter of time before sustainability aspects such as reporting, green and sustainability-related jobs, lower carbon, sustainability-focused businesses start to flourish," said Fang.

But before that comes, the current less-than-stellar rankings are a clear indication that more can be done.

Mak believes that regulators here can do more to push local institutional investors to step up and exercise proper stewardship over companies they invest in, including pushing them to pay attention to sustainability issues, as they tend to be more passive than foreign institutional investors. Similarly, they should continue to press banks to play a more active role in focusing on sustainability in companies they lend to.

With global sustainability reporting standards coming together, Fang noted that it is important for Singapore, along with other Asia Pacific markets, to lend their voice and perspectives now, before they are finalised and adopted as the global standard.

As for companies, Fang said that companies should dedicate necessary resources, including appointing a senior executive to lead their sustainability plans and to have the mandate to execute them.

She added that larger companies with greater resources can influence smaller companies through certain best practices, such as having a sustainable procurement policy.

Mak warned that there may be some very real costs if companies don't incorporate sustainability as part of their long-term business plans.

Just across the Causeway, Malaysian manufacturer ATA IMS would be losing 80 per cent of its revenue after global household appliances company Dyson said it will be cutting ties with its supplier over its labour practices.

"More international companies are focusing on ESG issues in their supply chains and if a company here is part of that supply chain, then they could find that they lose their business if they don't address material ESG risks," said Mak.

**BY JANICE LIM**