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Singapore listcos lag in climate disclosures, with 'uneven' quality: review

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ONE out of four Singapore-listed companies are not yet complying with newly implemented climate disclosure standards, and information provided by those in compliance is uneven and lags global peers, a study has found.

Some 73 per cent of Singapore issuers provided climate-related information in their FY2022 sustainability reports for at least one recommendation by the Task Force on Climate-Related Financial Disclosures (TCFD), an international body.

The FY2022 sustainability reports are the first to fall under a Singapore Exchange (SGX) requirement for listed companies to disclose climate information based on the 11 TCFD recommendations on a "comply-or-explain" basis.

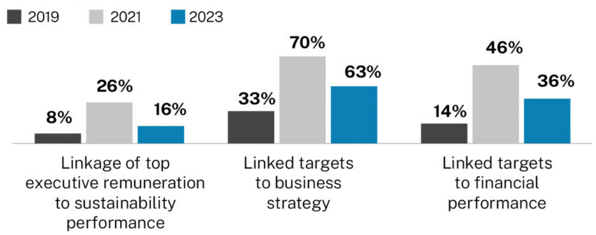
But Singapore issuers are still behind their global peers in climate disclosures, found the *Sustainability Reporting Review 2023*, which analysed FY2022 sustainability reports of 535 Singapore-listed companies.

Only 43 per cent of the companies disclosed information for at least five of the TCFD's 11 recommendations. This is lower than the global average of 58 per cent.

Climate disclosures were also "uneven in terms of quality and depth", said Tan Boon Gin, chief executive of SGX Regulation (RegCo),

Rise and fall

Similar trends across three different types of linkages were observed



SOURCE: SUSTAINABILITY REPORTING REVIEW 2023 GRAPHIC: BTVISUAL

which conducted the study with the National University of Singapore's Centre for Governance and Sustainability (CGS).

"No one, certainly not us, should be surprised with the findings given the pace at which these requirements were introduced. But we cannot slow down because we just do not have the luxury of time," he said.

Climate reporting will become mandatory for SGX issuers in the financial, energy, and agriculture, food and forest products industries from FY2023. Those in the materials and buildings and transport industries must do so from FY2024.

According to the study, nearly two-thirds of issuers set climate targets on greenhouse gas emissions, water usage, energy usage or waste management.

But many of these were short-term targets. Only 30 per cent of companies set medium-term targets and 35 per cent set long-term ones.

Meanwhile, less than a quarter of issuers analysed how resilient their strategies are to react to different climate conditions, and only 39 per cent have integrated climate change into overall risk management.

Another key finding of the study was that fewer issuers linked top executive remuneration to sustainability performance – from 26 per cent in 2021 to 16 per cent this year.

There were two other similar trends: fewer issuers linked their sustainability targets to corporate strategy, with the proportion falling from 70 per cent in 2021 to 63 per cent.

The proportion of companies that linked sustainability targets to financial performance likewise

Tan Boon Gin, chief executive of the Singapore Exchange Regulation, says climate disclosures were "uneven in terms of quality and depth".
PHOTO: BT FILE

dropped, from 46 per cent to 36 per cent.

At the press briefing, CGS director Professor Lawrence Loh highlighted how all three metrics show a similar trend: a rise from 2019 to 2021, and a subsequent fall this year.

"We are still trying to ascertain the reason. But perhaps in 2021, there was a big urge to include all these measures. But in the last two years, what we sense from our further analysis is that there is a decline probably because of the general macroeconomic environment and also geopolitical tensions," he said.

Companies may have thus allocated more attention and resources to the broader operating environment, Prof Loh said. He does not think that companies are disappointed or disillusioned with sustainability efforts.

Other notable findings include how seeking external assurance for sustainability reports is still rare, with only 30 companies doing so for FY2022. Meanwhile, just 65 issuers provided climate transition plan disclosures, with only 34 giving quantitative and time-based targets.

"There is also room for improvement in terms of providing more details about how the transition is being monitored. Addressing these gaps will inspire confidence in the issuer's ability to achieve its sustainability goals," the study's authors said.

The review gave SGX-listed companies an average score of 66 points out of 100 on their sustainability reports, with only 38 per cent of issuers scoring above 70 points. This is based on a scorecard that allocates a 25 per cent weightage to climate disclosures and 15 per cent to each of the following: material environment, social and governance (ESG) factors; policies, practices and performance; targets; sustainability reporting framework; and board statement and governance structure.

That is the first time that the score includes climate disclosures as a primary component. If the 2023 scorecard was aligned with the metrics used in previous years, Singapore issuers would have a higher average score of 75 points. This is up from 72 points in 2021 and 61 in 2019.

Tan of SGX RegCo noted that the quality of sustainability reporting has improved "tremendously", and believes the same could happen for climate reporting.

"Now the attention is on climate reporting, where there's intensifying urgency and scrutiny. In the same way that they have done with sustainability reporting, issuers will need to put in time, effort and resources to improve their climate reporting," he said.