



Summary of a report prepared by ACCA Singapore  
The State of Corporate Environmental  
Reporting in Singapore

# The State of Corporate Environmental Reporting in Singapore

This report is an abridged version of a piece of research which assesses the current state of external environment reporting of selected Singapore listed companies, Government Linked Companies and Statutory Boards. The research reviews corporate external reporting practices at a time where there is greater awareness in environmental impacts from Singapore businesses, particularly amongst agencies driving and policing environmental regulations, locally and internationally.

Despite wide spread research into the extent of external environmental reporting in Europe and America, there are little evidence of the nature of environmental reporting practices in South East Asia, particularly in more developed economies like Singapore. The report fills the research gap by indicating the current state of environment reporting practices in Singapore.

## **WHY ENGAGE IN ENVIRONMENTAL REPORTING?**

For the purpose of this study, environmental reporting is defined as:

*"The process of communicating externally the environmental effects of an organisation's economic actions through the corporate annual report or a separate stand-alone publicly available environmental report."*

This form of reporting encompasses, inter alia, disclosures relating to environmental policies, impacts, processes and audits. It can also include environmental-related expenditures, the environmental benefits of products, and details regarding sustainable operations.

While certain sectors may have more to gain by reporting on their environmental impacts, generally such reporting can benefit all businesses and in many instances may alleviate some of the concerns

of the wider society. Listed below are some motivations why companies engage in environmental reporting.

- (1) Risk management – in areas of financial, legal and reputation implications.
- (2) Marketing strategy – public image, brand enhancement such as through receiving environmental awards.
- (3) Legal needs – to keep in pace with/anticipate regulations.
- (4) Competition – to get ahead of/ stay with competitors.
- (5) Ethics – individual commitment; commitment to accountability and transparency.
- (6) Accounting requirements – in compliance with financial reporting requirements and provide link between financial and environmental performance/ reporting.
- (7) Investors' interests – demands of Green (ethical) investors.
- (8) Employees' interests – attracts right staff from the labour market.

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- (9) Value-add reporting – to add value to corporate reports and communicate to wider range of stakeholders, addressing their environmental concerns.
- (10) Certification needs – to indicate compliance with ISO14000 and other environmental regulatory guidelines.

## **BUSINESS AND ITS IMPACT ON THE ENVIRONMENT IN SINGAPORE**

The international environmental protection movement has been of substantial benefit to Singapore's environment in recent times, in that it has tightened control and driven higher standards of environmental protection in South East Asia. However, Singapore's rapid economic growth in the past decades has exacerbated the pressure on the environment. Throughout the course of the 1990s, the volume of industrial production has more than doubled and the country's total primary energy requirement has

increased significantly.

Furthermore, Singapore's economic surge has occurred at a time when international environmental controls are becoming more rigorous and this greatly amplifies the challenges facing authorities and strategic economic sectors. With higher levels of pollution from industrialization, Singapore government has taken steps to restrict and regulate impact of business on the environment. Recognising the potential adverse impact of these trends, the Singapore Environmental Council was set up to attempt to raise awareness of environmental protection in businesses and homes. They have claimed that companies are more proactive and are requesting for more information on environmental management.

As of September 2001, some 260 Singapore companies have been accredited with the ISO14001 international standard for environmental management systems.

The foregoing indicates that environment awareness in government and business circles is increasing. This increased concern may indicate a push towards greater public reporting of environmental impacts by industry, thereby supporting the timeliness of this investigation into environmental reporting practices.

## **RESEARCH METHODS**

The content analysis method was used to ascertain the level of reporting by each company in its most recently issued corporate annual report and/or stand-alone publicly available environmental report (if published). It made use of an established and comprehensive research instrument developed by researchers at the Centre for Social and Environmental Accounting Research at the University of Glasgow. The instrument categorises environmental reporting into six major categories of disclosure:

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1. Environmental Policy
2. Environmental Products and Process Related Disclosures
3. Environmental Audit
4. Sustainability
5. Finance-Related Environmental Disclosures
6. Miscellaneous 'other' Disclosures.

Definitions developed to identify each category were pre-tested on a pilot sample of annual reports in order to minimize any ambiguity and overlapping of interpretations.

## **SAMPLE OF COMPANIES**

The companies sampled were either listed on the Singapore Stock Exchange (SGX) or are Government Linked Companies (GLC) and Statutory Boards.

### **Listed Companies**

All companies sampled are listed on the main board of the SGX. The most recently available corporate

annual reports of these companies (between 1998 and 2001) were analysed. The companies were selected based on their activeness (trading volume) as well as relevance to environmental reporting. Companies listed in SESDAQ (Singapore Stock Exchange Secondary Board) were not included as they have less capital, usually less comprehensive annual reports and hence are unable to contribute significantly towards the study. A total of 160 companies were chosen.

### **Government Linked Companies and Statutory Boards**

These companies have the government as the major stakeholder and in most instances, sell goods or services directly to the public. They are not listed in the stock exchange and therefore are not required to produce these reports annually. As such, fewer annual reports from the GLC and statutory board were readily available. A total of 13 companies were sampled.

## **RESULTS**

### **Overall Findings in Listed Company Sample**

Twenty-three (14%) of the sampled listed companies undertook some form of environmental disclosure (see table 1). Amongst disclosing companies, there is a tendency to concentrate mainly on general environmental policy (61%) and product/processes with environmental benefits (57%), and announcement of ISO 14001 certification (26%). No companies undertook financial disclosure despite a newer trend towards greater reporting requirement to provide for environmental liabilities.

The average volume of disclosure amongst disclosing companies was 143 words. The vast majority of this disclosure was declarative, with very little financial or quantitative data being provided apart from information required on provisions. There was no evidence of what could

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be termed 'bad' or negative news disclosures in any of the annual reports. Again, none of the companies provided information on environmental audits and no company made any detailed reference to sustainable development.

All companies who undertook disclosures prior to 1998 were still disclosing in 2000 and all had increased or maintained their pre-1998 volume of disclosure. The

average volume of disclosure among disclosing companies was also substantially higher among the current sample compared with the 1998 sample.

## Location of Environmental Reporting in Listed Companies

The majority of disclosure appeared in the 'Business Overview' section (or equivalent) of the annual report. This was followed closely by the 'Social Responsibility' section and dedicated Environmental section.

There were only six occurrence in the 'Chairman's statement/CEO Review'. There were 12 instances of disclosure in the Business Overview section, six of which related to environmental policy. A total of 12 companies included a stand-alone environmental section in its annual report.

## Sectoral Analysis of Environmental Reporting in Listed Companies

The main disclosing sectors were the manufacturing/processing, property

**Table 1: Environmental Reporting in Listed Companies**

	Environmental disclosure total	Environmental policy	Product/process	ISO14000	Financial
No. disclosing	23 (100%)	14 (61%)	13 (57%)	6 (26%)	0 (0%)
No. not disclosing	137	146	147	154	0
% disclosing	14	9	8	4	0
Total length (words)	3280	1445	1695	140	0
Average length (words)	143	103	130	23	0
No. of quantified disclosures	0	0	0	0	0
No. of audited disclosures	6	0	0	6	0
No. of negative news disclosures	0	0	0	0	0

[Note: LHT Holdings Ltd's annual report had a green theme. It was given a word count of 1000 so as not to skew the overall average.]

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development sectors and the transportation sectors. Volumes of disclosure averaged about 160 words or half a page in the first two sectors. There was no evidence of disclosure in the financial sector. The sector with the highest percentage of companies disclosing is the property and construction sector, believed to be due to stricter government regulations. Five of the seven disclosures in the manufacturing/processing sector disclosed some form of environmental policy and one of these companies included a separate environmental section in its annual report dealing with, in addition to policy, product and process related matters. Five in the transport sector outlined their environmental policy ranging from a full page of the annual report to a few sentences mentioning the existence of environmental awareness in the company.

## **ISO14000 Certifications**

All six companies who announced their ISO14000 certification in the

annual reports were either from the manufacturing or property development sector. There was no fixed location where disclosure was released. There was also no repeated reporting for ISO14000 certification. ISO14000 was reported just once during the year which it was accredited.

## **Overall Findings in Government Linked Companies and Statutory Boards**

Of the 13 government listed companies or statutory boards, 23% or three companies disclosed some form of environmental information in their annual report (see Table 2). As with the listed company sample, disclosure mainly came under the headings of general environmental policy and products/processes with environmental impacts. A large number of miscellaneous ('other') disclosures was also made. The average volume of disclosure among disclosing companies was 83 words. Almost all the disclosures were declarative, with no instances of

quantified or financial disclosures. As with the listed company sample, there was no evidence of negative or 'bad' news being disclosed. Within this sample, one agency made extensive reference to its structure and plan on environmental reporting. The other two agencies only made small references to activities organized to promote environmental consciousness.

## **Location of Environmental Reporting in Government Linked Companies and Statutory Boards**

Amongst the GLC and Statutory Boards, the Productivity and Standards Board (PSB) provided a more comprehensive coverage on their business plans on environmental conservation. Its disclosure was found in the 'Operations Overview' section of the annual report. The remaining GLC and Statutory Boards only provided environmental reporting in calendars of events and projects undertaken by Work-Improvement-Teams (WITs). No company produced publicly available stand-alone environmental reports.

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## DISCUSSIONS

### Environmental Report in Singapore – The Infancy Stage

The research study assessed the current state of environmental reporting in Singapore listed companies and government linked companies as well as Statutory Boards. The results suggest that apart from companies whose core activities have an easily observable environmental impact, there is little evidence of extensive environmental

reporting, either in terms of its quantity or quality. In most cases, disclosing companies are at a very early stage in their consideration of environmental reporting.

### Implications for the Future of Environmental Reporting in Singapore

Although companies do collate information regarding their environmental impacts internally, they have nothing publically available when requested for

information by external sources. A simple, and relatively cost free, way of reporting externally could involve collating all the existing environmental data and summarizing it within the annual report in a separate environmental reporting section. To an extent, in the current study, one company follows this approach and, while the information included was not especially profound, it did raise the profile of environmental issues in a simple and cost-free manner.

**Table 2: Environmental Reporting in Government Linked Companies or Statutory Boards**

	Environmental disclosure total	Environmental policy	Product/process	Financial	Other
No. disclosing	3	1	2	0	2
No. not disclosing	18	17	16	18	16
% disclosing	23	6	12	0	12
Total length (words)	250	110	40	0	100
Average length (words)	83	110	20	0	50
No. of quantified disclosures	0	0	0	0	0
No. of audited disclosures	0	0	0	0	0
No. of negative news disclosures	0	0	0	0	0

## LIMITATIONS

It should be recognized that this study is limited, in that it does not assess reporting by private limited companies and subsidiaries of foreign multinationals, almost 150 of whom have obtained ISO 14001 registration, and this report may therefore overlook substantial reporting in these sectors.

## CONCLUSIONS

Among Private Limited Companies and government linked companies and Statutory Boards environmental reporting in Singapore has a long way to go before it can be deemed a comprehensive, credible, reliable and widely practised activity.

Most of the sampled companies do not appear to recognize the business

benefits to be derived through environmental reporting.

Furthermore, current practice tends to ignore a growing awareness of environmental issues by the general population.

The ASEAN (Association of South East Asian Nations) membership may bring with it greater pressure to engage more credibly and comprehensively in this form of reporting. More fundamentally, increased societal awareness of environmental impacts could lead to calls for more open and accountable reporting on these impacts, while the possibility of the evolution of mandatory reporting requirements for certain companies cannot be discounted.

The full report, together with a list of other titles relating to environmental reporting, is available from the ACCA website at [www.accaglobal.com/sustainability](http://www.accaglobal.com/sustainability)

ACCA publications can also be ordered from:

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