

SUSTAINABILITY REPORTING IN SINGAPORE

The State of Practice among Singapore Exchange (SGX)
Mainboard Listed Real Estate Investment Trusts (REITs) 2015

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ABOUT ASEAN CSR NETWORK (ACN)

In line with the achievement of an ASEAN Community, the ASEAN CSR Network (ACN) was established in 2011 through the ASEAN Foundation with a mandate to ensure that corporate social responsibility (CSR) is incorporated in the corporate agenda and contributes towards sustainable socio - economic development in ASEAN Member States.

As a regional organisation, the ACN provides a platform for networking and cooperation at the ASEAN level, supports capacity-building and training activities, helps catalyse collective action on key issues, and provides a link with regional and international bodies interested in supporting the advancement of CSR in the region.

For more information, please visit www.asean-csr-network.org

ABOUT CGIO NUS

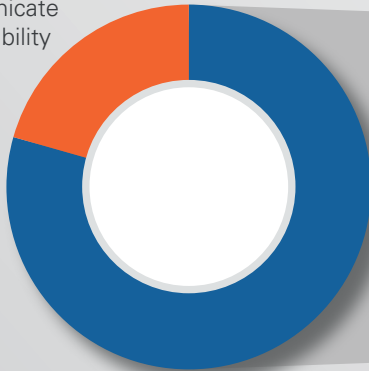
The Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010. It aims to spearhead relevant and high-impact research on governance issues that are pertinent to Asia, including corporate governance, governance of family firms, state-owned-enterprises, business groups, and institutions. The CGIO also organises events such as public lectures, industry roundtables, and academic conferences on topics related to governance.

For more information, please visit www.bschool.nus.edu.sg/cgio

EXECUTIVE SUMMARY

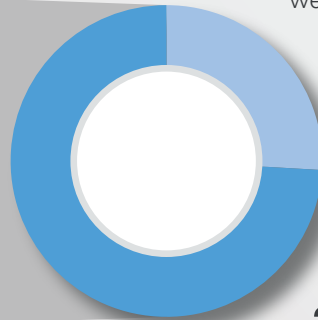
Following up from the previous study in 2013, the ASEAN CSR Network (ACN) and the Centre for Governance, Institutions and Organisations (CGIO) of NUS Business school conducted a study on the sustainability communication of 33 Real Estate Investment Trusts (REITs) listed on the Singapore Exchange (SGX) in 2015 and found that:

6 REITs
did not
communicate
sustainability



27 REITs of which
communicated
sustainability

7 REITs communicated
through both annual
report and corporate
website



20 REITs
communicated
through annual
report only

6

Provided CEO statement on
relevance of sustainability

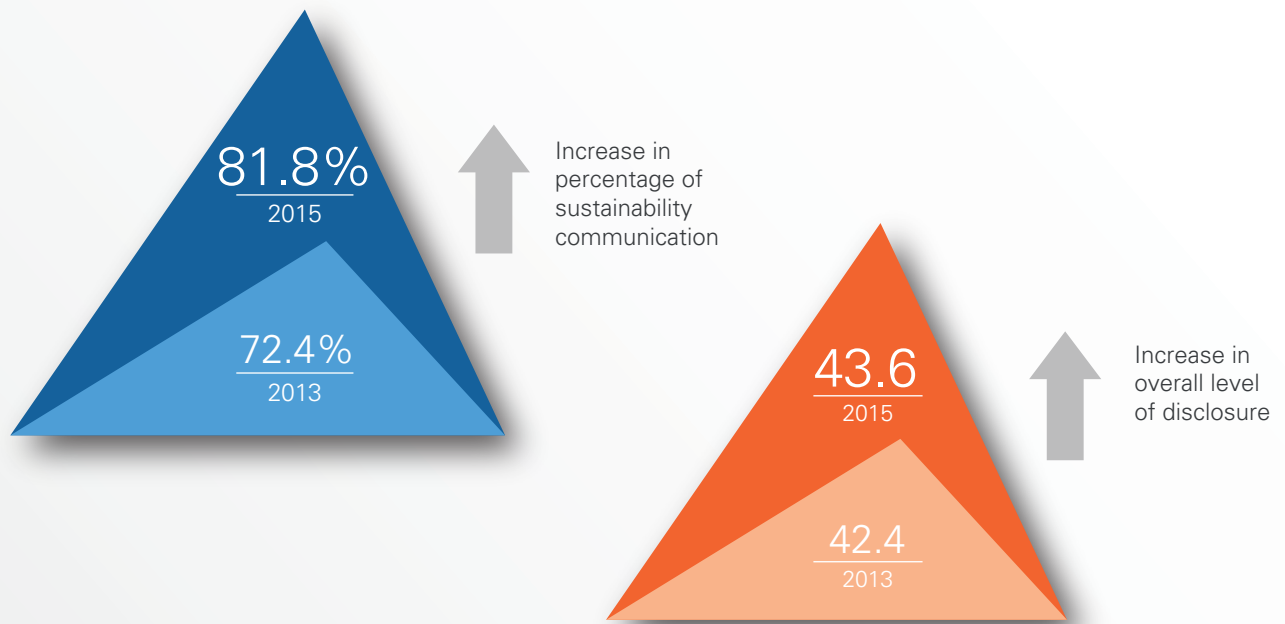
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Listed the material
aspects identified

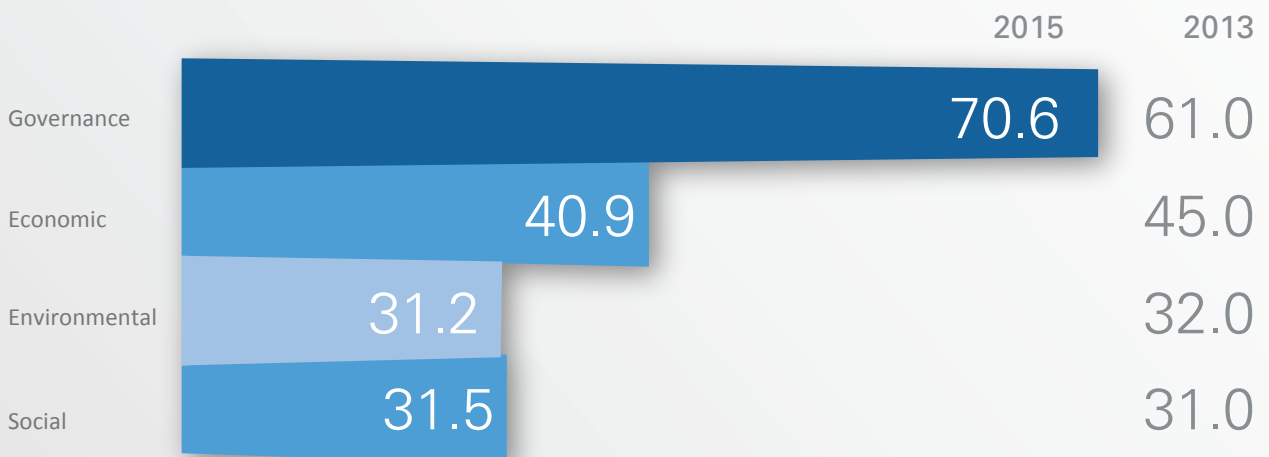
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Disclosed their stakeholder
engagement and inclusiveness
policies and procedures

REITS in 2015 performed better than those in 2013



Similar to the findings in 2013, REITs had highest level of disclosure for the Governance indicator, and lowest level of disclosure for the Environmental indicator



1. INTRODUCTION

Introduction to REITs

REITs are collective investment schemes that invest in a portfolio of income-generating real estate assets. Such assets include shopping malls, offices, hotels or serviced apartments and are usually established with the intention to generate income for unit holders of REITs.

In a typical REIT structure, money is raised from unit holders through an Initial Public Offering (IPO) and is used by the trust to purchase a pool of real estate. These properties are then leased out to tenants for income. As a REIT manager, his or her fundamental responsibility is to optimise the trust's capital structure, identify assets that can be acquired or sold and plan initiatives that would enhance the value of the properties. Thus, REIT managers are in a position that enables them to make decisions that could impact the business operations and practices of REITs, as well as its underlying properties. Therefore, REITs should also be subjected to the same expectations on their sustainability practices and reporting and be held accountable to its investors and regulators.

Listed REITs in Singapore are required to, not only abide by the SGX listing rules but also conform to the Monetary Authority of Singapore (MAS) Code of Collective Investment Schemes and the Securities and Futures Act. Furthermore, they are also required to comply with the following regulations:

- At least 75% of deposited property should be invested in income-producing real estate.
- REITs are required to distribute at least 90% of their net income to unit holders in the form of dividends in order to meet the requirements of the Tax Transparency framework.
- The aggregated leverage is capped at 45%.

Thus, these regulations could limit the proportion of financial resources that REITs could allocate to invest in sustainability efforts. However, it is also worth noting that in July 2015, MAS rolled out a series of measures to strengthen the REIT market. These measures include the strengthening of corporate governance in REITs, higher transparency of fee structure, as well as allowing for greater operational flexibility such as changing the leverage and developmental limits.

Sustainability Reporting and its Benefits for REITs

Investment in REITs carries a substantial amount of risk, as the income generated from REITs depends on the tenant occupancy rate of the properties they have positions in. In addition, proper governance procedures are material to investors' shares and their interests since the dividends are highly variable and not guaranteed. This is especially so when the assets of REITs are of large value. REIT investments also concern properties that directly and indirectly affect stakeholders, especially with issues that pertain to energy usage. According to the Building Construction Authority (BCA) Building Energy Benchmarking Report (2014), buildings consumed up to 38% of Singapore's electricity for that year, which amounted to high operating costs for the properties. This consequently affected the incomes that REITs could have generated for its investors.

However, from an internal viewpoint, REITs that engage in sustainability efforts and communicate them to the public often boast superior financial performance as compared to those that do not engage in sustainability practices. Newell and Lin Lee (2012) found that corporate governance is seen to be the most influential CSR factor on REIT performance and pricing. In addition, there exist other studies that laud the relevance of environmental sustainability practices in companies and REITs. REITs that do engage in environmental sustainability practices were found to perform better than the others, even during the financial crisis (Dimovski & O'Neill, 2015). Thus, these are strong justifications for REITs to adopt a serious stance in ensuring that their business operations and practices are implemented environmentally and socially friendly, so as to add value for themselves and their unit holder continuously.

State of Sustainability Reporting of Listed REITs in Singapore

REITs were first listed on the SGX in 2002 and have seen an increase in the number of listed REITs that communicated sustainability since its pilot study in 2013. There were 29 REITs listed on the SGX that were considered in the 2013 study and out of which, 21 (72.4%) of them communicated sustainability. However, in 2015, it was observed that there were 27 (81.8%) REITs out of 33 that did so. Hence, this shows an encouraging view of the progress in the sustainability communication and reporting of listed REITs in Singapore.

Currently, sustainability reporting of companies and REITs is practised on a voluntary basis. However, this landscape is set to change as from financial year ending on or after 31 December 2017, sustainability reporting will be enforced on as a 'comply or explain' basis for all SGX-listed companies. Under Listing Rule 711A of SGX listing rules, every listed issuer is to prepare an annual sustainability report that must describe its sustainability practices with reference to the primary components set out in Listing Rule 711B¹ on a 'comply or explain' basis. In cases where the company issuer is unable to report on any primary component, it must state so and explain what it does instead, and reasons for doing so.

Thus, with the upcoming enforcement, we could expect an even further progress in the extent and development of sustainability reporting in Singapore.

2. OBJECTIVE OF CURRENT STUDY

Despite a strong presence in the stock market in Singapore, there had been only one study thus far that covered the non-financial disclosures of the governance, economic, environmental and social aspects by REITs. Thus, within this study, both ACN and CGIO attempt to look into the comprehensiveness and depth of sustainability disclosure by listed REITs in Singapore, in order to understand the current landscape of sustainability reporting here. The study will investigate the rate of reporting and comprehensiveness of information disclosed by REITs, through a systematic method of observing if communication satisfies existing sustainability reporting guidelines, mainly the Global Reporting Initiative (GRI) G4 and Code of Corporate Governance. This study also looks into General Standard Disclosures such as Strategy and Analysis, Materiality and Stakeholder Engagement in REITs, so as to provide further insights on sustainability topics in Singapore. Additionally, this study is affiliated to a large research study on the state of sustainability reporting of companies listed on the SGX Mainboard.

Following the GRI and Code of Corporate Governance as guiding references and from the findings observed, a greater understanding on the trends and key factors influencing sustainability reporting can be acquired. In addition, this study seeks to analyse if any changes have been made in sustainability reporting since the previous study.

² The primary components are (a) material environmental, social and governance factors, (b) policies, practices and performance, (c) targets, (d) sustainability reporting framework, and (e) Board statement.

3. SCOPE OF STUDY

The sample size for this study involves 34 REITs listed on the SGX Mainboard but it is notable that one of the REITs was excluded from the overall profiling and sample size as it was newly listed and does not have an annual report. Thus, the effective size of the sample is 33. The duration of this study covered public information provided by the REITs up to 31 December 2015. A table summary of the sample size of REITs considered in this study is shown in Table 1.

	Number of Trusts
Listed on SGX Mainboard as of 30 June 2015	34
Less: Newly Listed Trusts in 2015 (with no annual report available)	1
Total sample size (REITs considered for the study)	33

Table 1: Sample size of research

4. DEFINITION AND ASSUMPTIONS

Sustainability Reporting

As with the study of sustainability reporting on SGX mainboard listed companies, this study on REITs aims to assess the level of disclosure provided by REITs of their sustainability practices and efforts. For the purposes of this study, 'sustainability reporting' is defined as the disclosure of non-financial information that is publicly available and provided by companies to its stakeholders. This non-financial information includes the disclosure of governance, economic, environmental and social aspects of its business operations. Additional general standard disclosures such as strategy and analysis, materiality and stakeholder engagement are also accounted for. As it encourages REITs to be transparent about details of their operations, it thereby reflects their commitment to be responsible and accountable for their practices.

Accessibility of Information

When REITs choose to communicate sustainability, they could do so by either communicating their sustainability practices on their corporate website, have a standalone sustainability report or have them embedded in the annual report. A standalone report is either a sustainability report or a CSR report and it represents a complete and comprehensive type of sustainability reporting that a company or REIT is encouraged to do. Furthermore, the latter two communication mediums can be supplemented either with or without additional communication on their corporate website. All three mediums should be publicly available and readily accessible to all stakeholders.

Practicing versus Communicating Sustainability

This study assesses REITs through their rate of reporting and comprehensiveness of information by measuring the level of disclosure from the information provided. This assessment of disclosures made on their sustainability practices does not seek to evaluate the REITs' actual sustainability activities and performance. It is, however, indirectly assumed that a REIT's actual and implemented sustainable business practices are reflected through its sustainability reports and communications.

Market Capitalisation Classification

Other than being classified into their respective sector, REITs in this study are also classified according to their market capitalisation. The market capitalisation of a small REIT is defined as less than S\$300 million, between the range of S\$300 million and S\$1 billion represents a medium-sized REIT while over S\$1 billion represents a large REIT.

5. RESEARCH PROCESSES



Figure 1: Overall flow of research process

From a sample of 33 REITs that were considered for this study, a further selection of REITs that communicated sustainability was distinguished. This was done in accordance to the accessibility of information available from their communication of sustainability. As aforementioned, REITs that communicated sustainability did so by communicating their sustainability practices on their corporate website, had a standalone sustainability report or had them embedded in the annual report.

These REITs that practiced sustainability reporting are subsequently assessed on the comprehensiveness of their reporting based on two frameworks. These frameworks were adapted following the GRI G4 guidelines and the Code of Corporate Governance, as well as the SGX's 'Guide to Sustainability Reporting for Listed Companies'. Data findings were then collated and analysed to fulfil the relevant objective of this study and are presented in two separate sections according to each framework used. Such findings include the overall quality of sustainability disclosure of REITs in Singapore. Figure 1 represents an overall flow of the research process involved in this study.

6. METHODOLOGY

The two frameworks referenced in the sustainability reporting of SGX mainboard listed companies were similarly used in this REITs study. These methodologies were based on the GRI G4 guidelines and the Code of Corporate Governance, as well as the SGX's 'Guide to Sustainability Reporting'.

Assessing Level of Disclosure with reference to GRI G4 Guidelines

GRI standards are well established in the global sustainability reporting landscape and are also internationally recognised. The guidelines provide a holistic and structured framework to attain a comprehensive assessment of sustainability policies and practices of companies and REITs.

The methodology framework for this study is derived from the GRI G4 guidelines and the Code of Corporate Governance. They serve as a rigorous global standard for assessing the sustainability reporting of SGX mainboard listed REITs. The extensive assessment framework is condensed into 23 criteria, which were in turn grouped into the four following indicators; Governance, Economic, Environmental and Social. This framework is also largely similar to the framework used in the 2013 sustainability reporting of REITs study (Loh, Low, Sim & Thomas, 2014).

The depth of disclosure was analysed through the assignment of scores ranging from 1 to 5 for each criterion. 1 point was awarded if there was no information provided or specified for the particular criterion, while 5 points were awarded if detailed information substantiated with measurements were furnished. The total score under each indicator was then converted to a base score out of 25. Subsequently, the sum of these scores across the four indicators makes the total score base to be 100, with each indicator weighted equally. This score obtained reflects the overall level of sustainability disclosure of the company to the areas of assessment in this methodology. This level of disclosure also reflects the quality of sustainability disclosure of the company.

While the 2013 study employed a methodology based on the previous GRI 3.1 guidelines, the deviation in methodology to reflect the transition to the G4 guidelines in this study is not overly substantial. Analysis and findings are adjusted, where necessary, to ensure comparability of information in both years.

Assessing General Standard Disclosures

Disclosures on three other areas, Strategy and Analysis, Materiality and Stakeholder Engagement, were also reported for REITs in this study. These general standard disclosures are applicable to all REITs or organisations preparing a sustainability report. A total of eight criteria fall under these areas and the REITs are assessed based on whether the relevant disclosures were made on each criterion.

Assessing Level of Disclosure with reference to SGX's 'Guide to Sustainability Reporting'

The SGX's 'Guide to Sustainability Reporting' was conceived to address the concerns companies and REITs in Singapore had, with issues pertaining to communicating their sustainability efforts to stakeholders. The guide, which references international sustainability reporting standards such as the GRI and ISO 26000 Guidance on Social Responsibility, provides direction on reporting environmental and social issues. This goes beyond the mandatory governance disclosures under the Code of Corporate Governance. It is regarded as a significant stride towards greater commitments to sustainability as an operating principle among listed companies and REITs in Singapore and plays a pivotal role in encouraging more of them to report sustainable business practices. In light of this, the methodology derived from SGX's 'Guide to Sustainability Reporting' serves as a local baseline in the assessment of the mainboard listed REITs.

With reference to the guidelines, a coding manual was derived to determine the level of disclosure of REITs. They were similarly assessed based on four broad indicators; Foundational Principles, General, Environmental and Social. The depth of their disclosures was graded on a 0-1 scale for each criterion that falls under each broad indicator. No point was awarded if there was no information provided or specified for the particular criterion, while 1 point was awarded if any relevant information was disclosed. These points were then aggregated to a maximum score of 17 and were subsequently converted into percentage terms. The percentage scores obtained reflect the level of disclosure of REITs on the areas of assessment in this methodology.

7. GENERAL FINDINGS

Medium of Reporting



Figure 2: Sustainability communication of SGX mainboard listed REITs

	Year	
	2013	2015
Number of REITs that communicated sustainability	21	27

Table 2 Comparison on number of REITs communicating sustainability

As seen from Table 2, the number of REITs disclosing their sustainability efforts increased from 21 to 27 and the overall percentage of sustainability communication increased from 72.4% to 81.8% in 2015 compared to 2013.

It was also observed that all the REITs that communicated their sustainability efforts did so through their annual reports while none published a standalone sustainability report. Additionally, out of the 27 REITs that communicated sustainability, only 7 of them had also communicated on their corporate website (Figure 2). While the increase in the number of REITs communicating sustainability is encouraging, they could be further motivated to publish a standalone sustainability report that would show more of their commitments to sustainability practices.

Communication of REITs by Sector

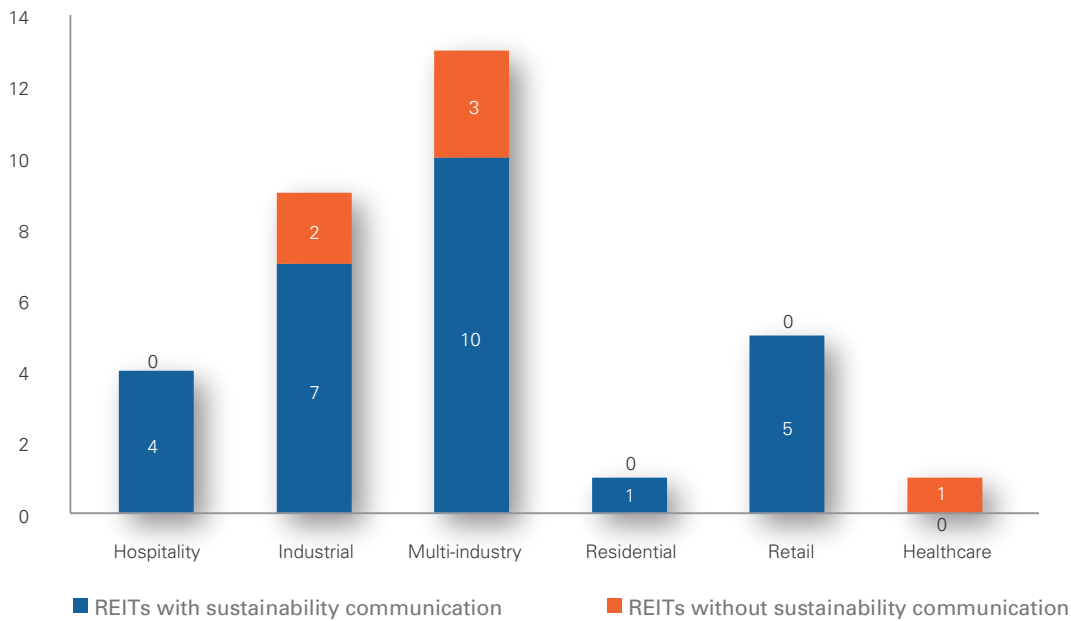


Figure 3: Number of REITs by sector

Sectors	Number of REITs communicating sustainability practices	
	2013	2015
Hospitality	2	4
Industrial	5	7
Multi-industry	10	10
Residential	1	1
Retail	3	5
Total	21	27

Table 3: Number of REITs communicating sustainability by sector

According to Figure 3, Hospitality, Residential and Retail sectors had a communicating rate of 100%, while Healthcare had the least communicating rate that the only REIT in that sector did not have sustainability communication. Consistent across all sectors, except for the Multi-industry and Residential sector, the number of REITs communicating sustainability has increased when comparing to the numbers in 2013. The rate of communication in the Multi-industry and Residential sector has also remained constant at 10 REITs and 1 REIT respectively in both 2013 and 2015 (Table 3).

Communication of REITs by Market Capitalisation

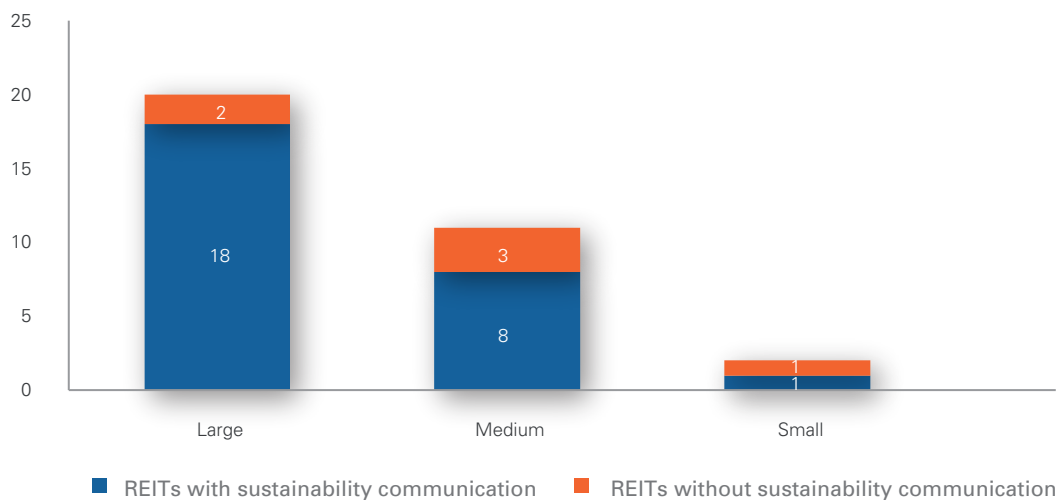


Figure 4: Number of REITs by market capitalisation

Market Capitalisation	Number of REITs communicating sustainability practices	
	2013	2015
Large	13	18
Medium	7	8
Small	1	1
Total	21	27

Table 4: Number of REITs communicating sustainability by market capitalisation

90.0% of REITs with large market capitalization have communicated sustainability, followed by 72.7% of medium-sized REITs and only 50.0% of small-sized REITs (Figure 4). Majority of REITs, about 66.7%, that communicated sustainability in 2015 have large market capitalisation and this result is also consistent in 2013. In addition, both small-sized REIT in 2013 and 2015 communicated its sustainability practices (Table 4). This demonstrates that the size of an organisation does not appear to be a factor that limits REITs from communicating their sustainability activities to stakeholders and, by inference, from engaging in sustainability practices.

8. FINDINGS OF GRI G4 GUIDELINES

Overall Level of Disclosure

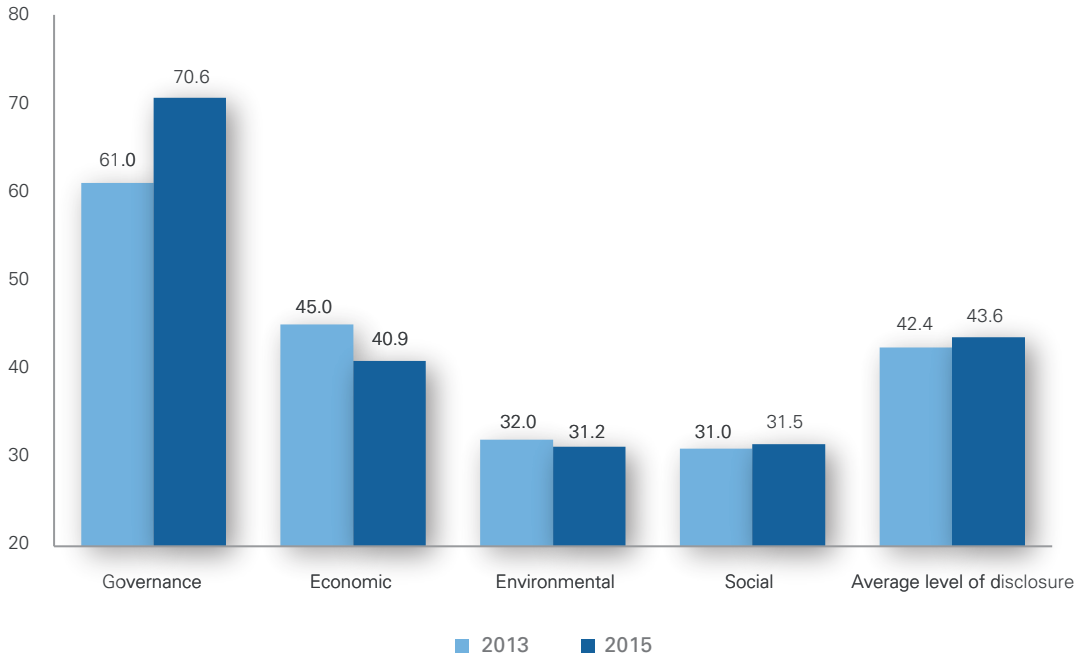


Figure 5: Overall level of sustainability disclosure

Generally, REITs in 2015 had performed better than those in 2013, in terms of the overall levels of disclosure. In 2015, REITs scored an overall level of disclosure of 43.6, which is higher than that in 2013 at 42.4 (Figure 5). Similar to findings in 2013, REITs had highest level of disclosure for the Governance indicator, with a score of 70.6, and lowest level of disclosure for the Environmental indicator, with a score of 31.2, which is only marginally lower than the level of social disclosure at 31.5.

What is striking from these results is that, the levels of disclosure for three out of four indicators dropped by fair amounts, except for the Governance indicator. For example, the level of disclosure for the Economic indicator fell from 45.0 in 2013 to 40.9 in 2015. As such, the overall level of disclosure of REITs in 2015 could be higher than its true value of 43.6, if not for the lack of sufficient sustainability disclosures across the three indicators, especially so for the Economic indicator.

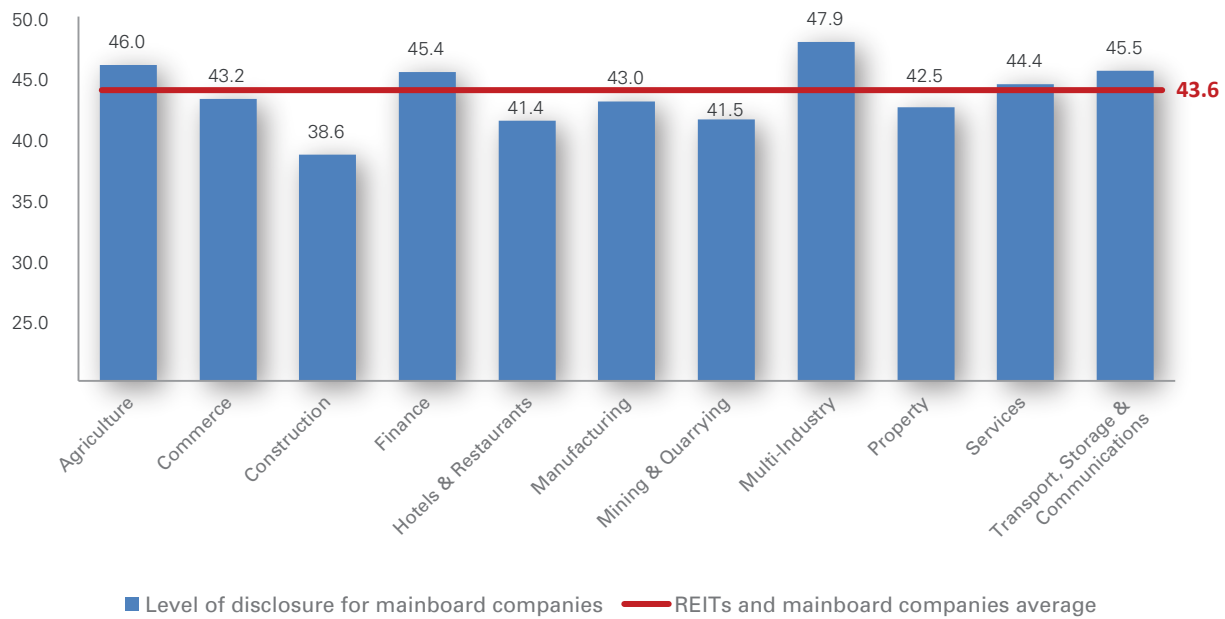


Figure 6: Level of disclosure of REITs against mainboard listed companies

Overall, the average level of sustainability disclosure by REITs is at 43.6 and is observed to be the same as the average of the SGX mainboard listed companies (Figure 6). When compared across the various sectors of the companies, the level of disclosure by REITs is higher than six sectors of the mainboard listed companies such as Construction, Property and Commerce.

Level of Disclosure by Indicator

Governance Indicator²

	REITs 2013	REITs 2015	Listed companies 2015
Gov 1: Code of Corporate Governance	84.1	83.9	87.1
Gov 2: Governance Procedures Disclosed	55.0	58.2	48.0
Gov 3: Anti-corruption and Code of Ethics	50.5	69.6	51.7
Governance	61.0	70.6	62.3

Table 5: Level of disclosure by Governance sub-indicators

All the REITs had an impressive level of disclosure under Gov 1 since they were required to abide by the Code of Corporate Governance. 18 of the 27 REITs in the study also had chairpersons who are independent and not in the executive functions of the REIT. However, majority of the REITs had not disclosed any linkage between REIT performance and compensation of board members or senior managers. Instead, they disclosed the amount paid (without breakdown) or a simple statement that there is a fixed and/or variable component for the services of these officials, both without linkage to financial performance of the REITs.

Some REITs also cited having an external manager to manage the REIT as a technical reason for not disclosing compensation as the REIT and its managers are separate entities, which are rather questionable justifications as they deprive its shareholders of information possibly material in their decision making processes. Thus, further improvements in strategies pertaining to Gov 3 can be developed, where board members become more involved in sustainability ethics and issues.

In addition, it can be observed from Table 5 that all levels of disclosure for Governance sub-indicators have increased and are mostly higher than that of the Mainboard listed companies in 2015. This is commendable for the REITs to successively improve on its disclosure pertaining to Governance issues, as it reflects more transparency in their practices and operations.

Economic Indicator

	REITs 2013	REITs 2015	Listed companies 2015
Econ 1: Economic Value Generated	100.0	100.0	100.0
Econ 2: Value and Supply Chain	20.0	23.0	30.8
Econ 3: Climate Change-implications	23.8	20.7	23.7
Econ 4: Investment in Non-Core Business Infrastructure	35.2	20.0	41.9
Econ 5: Risk Management	45.7	40.7	37.7
Economic	45.0	40.9	46.8

Table 6: Level of disclosure by Economic sub-indicators

² There is no 'Gov 4: Stakeholder Engagement and Inclusiveness' in this table, as compared to 2013 study, as this aspect is evaluated separately in this round of study.

With respect to the Economic indicator, there was high level of disclosure for Econ 1 since it is a normal financial indicator reported by all companies and REITs. However, there was room for improvement for Econ 3, Econ 4 and Econ 5, since their levels of disclosure were found to be lower than the respective levels in 2013 (Table 6). Even though REITs are primarily an investment vehicle, they are still the managers of the buildings and there is still an obligation to ensure that they provide usable space for tenants. This can be done through managing the service providers for property maintenance such as cleaners, waste management and security companies. There are also many impacts of climate change (Econ 3) to a REIT's operations. For example, as one of the biggest energy consumers in the industry, REITs can be more cognizant of its impact on energy prices in the long term and take appropriate action in order to mitigate its impact. Sea-level rise may also fundamentally change the ability of REITs to operate in certain geographies and is also an issue worth considering under impacts and risks.

The very low score of the Econ 4 sub-indicator is also worth noting. This could be attributable to the restrictions posed by the structure of REITs as well as the regulations governing REITs. A REIT is required to invest its assets in real estate, hence it does not have the leverage to invest in non-core business infrastructure. It is thus very likely that this aspect is not material in their daily operations.

With respect to Econ 5, most REITs have outlined a framework for risk management in either a standalone section or in their corporate governance report. However, there is a lack of attention paid by REITs to environmental and social aspects of risk. Such risk will only become more prominent and impactful on operations and the bottom line as they continue to surface, hence REITs have more to gain by including these non-financial aspects in their risk management framework.

It is also worth noting that the Economic indicator is not only representative of a REIT's financial structure (e.g. Econ 1), but also reflects its CSR practices such as issues pertaining to climate change and risk management.

Environmental Indicator

	REITs 2013	REITs 2015	Listed companies 2015
Env 1: Energy Management	41.9	41.5	35.8
Env 2: Water Management	41.0	36.3	31.2
Env 3: Waste Management	25.7	27.4	33.0
Env 4: Carbon Emissions	28.6	32.6	30.9
Env 5: Biodiversity	21.0	20.0	24.7
Env 6: Compliance	21.0	24.4	25.8
Env 7: Product and Service Stewardship	46.7	36.3	26.9
Environmental	32.0	31.2	29.7

Table 7: Level of disclosure by Environmental sub-indicators

Many REITs had some disclosure on their energy policy, with some also having a policy on water usage, since both are material to their operations and bottom line. This results in both sub-indicators, Env 1 and Env 2 having higher levels of disclosure than majority of the other sub-indicators (Table 7). The REITs with the best scores in both sub-indicators disclosed their actual energy and water usage for this year as well as in 2013, along with a more comprehensive policy. This is in contrast to the many others which gave only broad-based statements as a cornerstone of their environmental policy.

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As managers of land assets, biodiversity (Env 5) is likely to be an immaterial aspect of a REIT's operations, hence it is not a surprise that the average score was the lowest among all the sub-indicators.

Product and service stewardship (Env 7) from an environmental perspective would refer to the resources saved when using environmentally friendly solutions for space leased out to tenants. In this regard, while many REITs have lauded their Building and Construction Authority (BCA) Green Mark Awards for their properties in their annual reports, most REITs did not measure the improvements resulting from these solutions and none have committed to make continual improvements in this aspect. These are also possible fields for REIT managers to delve into.

Social Indicators

	REITs 2013	REITs 2015	Listed companies 2015
Soc 1: Diversity and Equal Opportunity	25.7	24.4	29.2
Soc 2: Labour and Industrial Relations	31.4	20.7	26.6
Soc 3: Occupational Health and Safety	37.1	32.6	39.6
Soc 4: Training and Education	39.0	33.3	37.6
Soc 5: Human Rights	21.0	21.5	25.0
Soc 6: Community Involvement	21.0	29.6	33.8
Soc 7: Product Responsibility	21.9	26.7	30.0
Soc 8: Philanthropy	54.3	63.5	62.3
Social	31.0	31.5	35.5

Table 8: Level of disclosure by Social sub-indicators

Looking at the Social sub-indicators, Philanthropy (Env 8) had the highest level of disclosure at 63.5 (Table 8), which was significantly higher than the average level of Social disclosure of 31.5 (Figure 5). It is likely that the reasoning does not deviate, that such activities are convenient methods for REITs to demonstrate their effort in corporate social responsibility and to raise awareness for their organisations. Additionally, philanthropy also reflects a REIT's image to the public.

Other social sub-indicators, however, are less than stellar with their levels of disclosure being less than 50.0. In the case of Soc 2, there are two possible reasons for low levels of disclosure. The first reason is that REITs do not have a strong enough conception of labour issues since the managers of REITs are usually of a small number. The second reason is the technical reasoning argued by some REITs that they are different from the managers of the very same REIT, even though their actions, along with that of property managers, make decisions that are material to their unit holders.

Disclosures of Strategy and Analysis

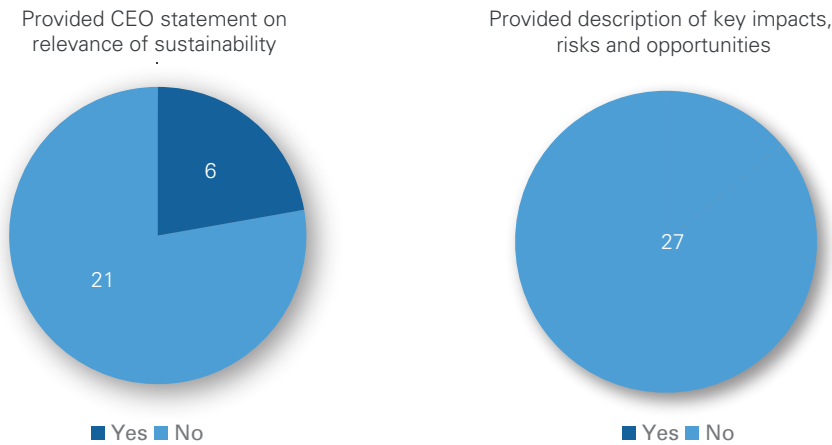


Figure 7: Number of REITs that disclosed information on strategy and analysis

Strategy and analysis provide a general strategic insight of the company's sustainability practices and looks into two aspects. The first aspect studies whether the company provided a statement about the relevance of sustainability to the company. Such a statement has to be made from the most senior decision-maker of the company (e.g. the CEO) and should include the respective company's strategy for addressing sustainability. The second aspect studies if they also provided a description and identified the key impacts, risks and opportunities of sustainability.

While six companies have disclosed and acknowledged the relevance of sustainable practices in their organisation's strategies and operations, there is a significant disparity between those that did so and those that provided description of the key impacts, risks and opportunities of sustainability. From Figure 7, no REITs has disclosed as having key risks, impacts and opportunities. Thus, this may suggest a superficial commitment to sustainability.

Disclosures of Materiality

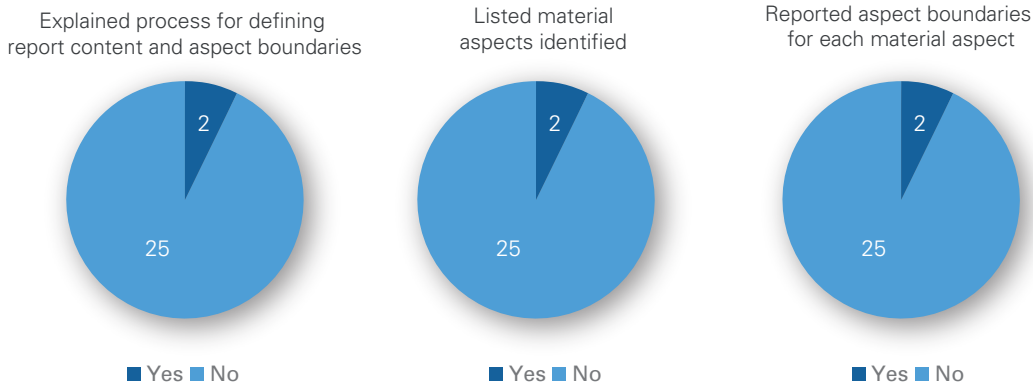


Figure 8: Number of REITs that disclosed information on materiality

This standard disclosure looks into the topics that REITs consider as material to their business, that is when they recognise that some information of their operations are important to potential investors making investment decisions. In evaluating disclosures relating to materiality, the GRI G4 guidelines outline a series of criteria involving; whether they explained the process for defining report content and aspect boundaries, listed the material aspects identified and if they reported aspect boundaries for each material aspect within and outside the organisation.

From Figure 8, only a small proportion of REITs (2 out of 27 REITs) disclosed information on all the three criteria of materiality. These two REITs are Ascendas Real Estate Investment Trust and Frasers Commercial Trust.

Disclosure of Stakeholder Engagement and Inclusiveness

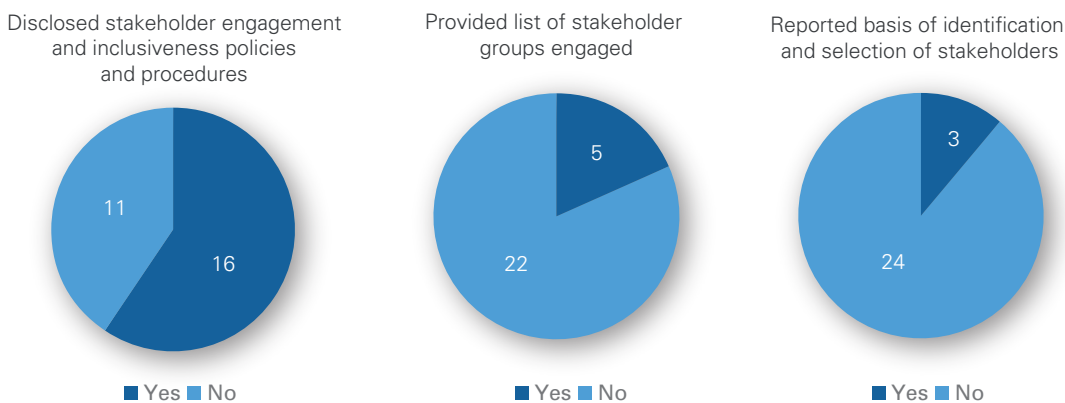


Figure 9: Number of REITs that disclosed information on stakeholder engagement and inclusiveness

While there are 16 REITs that disclosed their stakeholder engagement and inclusiveness policies and procedures, even fewer REITs went further to provide a list of stakeholder groups engaged. Further elaborate details such as the basis for identification and selection of stakeholders, frequency of engagement and how the company responds to stakeholders' concerns were often not disclosed by majority of REITs. Only 3 REITs out of 27 did so (Figure 9). However, some examples of companies with comprehensive stakeholder engagement disclosures include CapitaLand Mall Trust, Frasers Commercial Trust and Mapletree Greater China Commercial Trust.

9. FINDINGS OF SGX SUSTAINABILITY REPORTING GUIDELINES

The four key indicators in the SGX Sustainability Reporting Guide can be broadly categorised into Foundational Principles, General, Environmental and Social Indicators.

Overall Level of Disclosure³

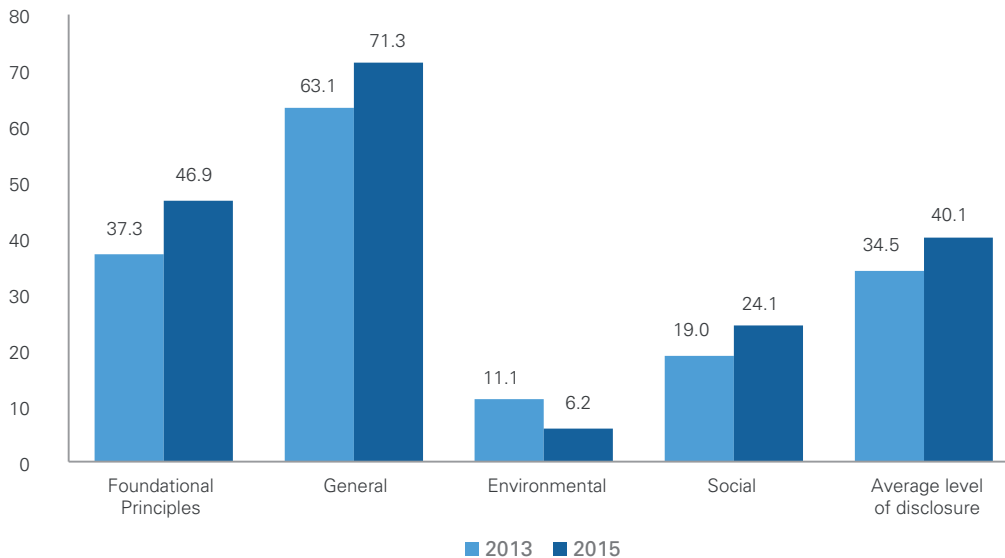


Figure 10: Overall level of sustainability disclosure under SGX guidelines

Consistent with the previous methodology, disclosure levels in 2015 also increased compared to in 2013 using the SGX grading framework. From Figure 10, it can be seen that the average level of disclosure of REITs in 2015 is 40.1 and is substantially higher than the level in 2013, at 34.5. However, a larger decrease was noted under the Environmental indicator where the level of disclosure dropped by 4.9. Generally, the macro findings using the SGX Guidelines are largely consistent with the scorings based on the GRI G4 guidelines.

Foundational Principles Indicators

Foundational Principles Indicators	Level of disclosure for Foundational Principles indicators	
	2013	2015
Board Responsibility, Corporate accountability and Seniority of decision-making on sustainability issues	33.3	29.6
Comprehensive Risk Management	14.3	55.6
Performance Measurement Systems - Performance assessment against stated goals, peers and industry benchmarks	71.4	70.4
Does the company report on sustainability?	100.0	100.0
Does the company comply with international/industry standards (eg. GRI)?	4.8	25.9
Does the company have independent assurance on Sustainability Report?	0	0
Foundational Principles	37.3	46.9

Table 9: Disclosures of Foundational Principles indicators under SGX guidelines

³ The average level of disclosure is calculated by taking the averages of 27 REITs, instead of the averages of the four indicators

REITs demonstrated the highest level of disclosure in Performance Measurement Systems, with a score of 70.4, despite a slight plummet from its level of disclosure in 2013. Looking at its Comprehensive Risk Management, REITs in 2015 had a substantially higher level of disclosure pertaining to this indicator. The level of disclosure rose from 14.3 to 55.6 in 2013 and 2015 respectively (Table 9). This could suggest that they are implementing more extensive protocols in ensuring that any type of risk is considered and accounted for.

General Indicators

General Indicators	Level of disclosure for General indicators	
	2013	2015
Sustainability policy and goals, including milestones, plans for achieving goals, and long-term aspirations	76.2	81.5
Corporate stance on bribery and corruption	81.0	100.0
Relevant laws, regulations, international agreements, or voluntary agreements with strategic significance to the organisation and its stakeholders, including fines, sanctions, prosecution, and accidents for non-compliance with environmental laws and regulation	4.8	3.7
Issues and future challenges for the specific industry sector that the company operates in as observed by peers and competitors	90.5	100.0
General	63.1	71.3

Table 10: Disclosures of General indicators under SGX guidelines

REITs in 2015 performed the best in the disclosure of its corporate stance on bribery and corruption and in its future industry outlook (Table 10). While the levels of disclosure for three of the General sub-indicators are above 2013's levels, there seems to be a lack of disclosure regarding relevant laws and regulations of a REIT's organisational and stakeholder structure. However, this result is observed to be consistent across the years, as the level of disclosure of this sub-indicator was also low in 2013.

Environmental Indicators

Environmental Indicators	Level of disclosure for Environmental indicators	
	2013	2015
Climate change disclosures e.g. business or legal developments related to climate change mitigation or adaptation that may have an impact on the organisation	9.5	3.7
Biodiversity management	4.8	0.0
Environmental management systems	19.0	14.8
Environmental	11.1	6.2

Table 11: Disclosures of Environmental indicators under SGX guidelines

While it is understandable that biodiversity management may not be seen as material to many REITs, the impact of their activities on climate change and the need for environmental management systems would be relevant to REITs. While there were considerable levels of disclosure for all the sub-indicators in 2013, REITs in the 2015 study were observed to not have provided much information on its sustainability efforts relevant to these indicators. As seen from Table 11, the levels of disclosure in 2015 fell below those in 2013.

Social Indicators

Social Indicators	Level of disclosure for Social Indicators	
	2013	2015
Labour practices and relations	52.4	63.0
Diversity and inclusion	19.0	22.2
Programs and practices that assess and manage the impacts of operations on communities	4.8	3.7
Product responsibility policy and practices	0.0	7.4
Social	19.0	24.1

Table 12: Disclosures of Social indicators under SGX guidelines

Similar to findings in 2013, they disclosed the most information on labour practices and relations and thus, scored a level of disclosure of 63.0. While the level of disclosure on programs and practices that assess and manage the impacts of operations fell to 3.7 from 4.8, REITs had worked towards on increasing their disclosure on their product responsibility policy and practices. From Table 12, the level of disclosure for this indicator was 7.4, of which is a commendable improvement from 0 in 2013.

10. LIMITATIONS AND RECOMMENDATIONS

This study evaluates REITs' sustainability reporting based on what they have disclosed. That is to say, we measure the sustainability disclosure rather than the actual performance. It is possible that sustainable practices exist in some REITs but related information are not made publicly available. Therefore, the study only represents an estimate of the sustainability reporting in Singapore.

Besides, the second framework used in the study is based on the Guide to Sustainability Reporting released in 2011 by SGX. With the new Sustainability Reporting Guide that is more comprehensive released in 2016, following the announcement that the sustainability enforcement level is mandated on a 'comply or explain' basis from financial year ending on, or after 31 December 2017, these changes could be incorporated into the methodology framework in future studies.

Going forward, we may consider building its unique sustainability framework for REITs to take into account the unique characteristics of the REITs. Other potential research topics include the relationship between sustainability disclosure and actual sustainable practices, more in-depth analysis on the factors that influence sustainability reporting and other issues such as materiality. Furthermore, we could explore the effects of sustainability reporting on financial performance as it could help to resolve the issue of overcoming the managerial mindset of sustainability reporting as a public relations (PR) tool and contribute to an increase in the comprehensiveness and quality of REITs' sustainability reporting.

11. CONCLUSION

Generally, it appears that many REITs still have ample potential to engage in sustainability reporting and learn about themselves as well as the impacts of their daily operations. Managers of REITs should view the REITs more as a company with assets and physical operations instead of being a purely paperweight-based investment vehicle in order to truly deliver sustainable returns to its shareholder and stakeholders.

It is also possible that the managers of the various REITs (which are often the REIT sponsors) happen to have high levels of sustainability reporting, but the structure of a REIT (as an investment vehicle) causes these parents/sponsors to overlook the need to re-emphasize these efforts in the subsidiary's annual reports. Parent companies/sponsors should then have the motivation to make such disclosures to the shareholders of the REIT as the information is material to their decision-making. One cannot assume that all REIT holders will automatically read up the annual report of its parent in order to siphon for information.

As observed from the findings in both methodologies, the overall level of disclosure and thus, the quality of sustainability disclosure of REITs in this 2015 study is higher than in previous study. Since this is only the second study, we could still be hopeful that they would improve on their comprehensiveness and quality of sustainability disclosures in future studies.

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