NON-FINANCIAL ACCOUNTABILITY OF REAL ESTATE INVESTMENTS IN SINGAPORE

Sustainability Reporting among Real Estate Investment Trusts listed on the Singapore Exchange 2013

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SINGAPORE COMPACT
CORPORATE SOCIAL RESPONSIBILITY

NUS National University of Singapore | NUS BUSINESS SCHOOL

CONTENT

LIST OF FIGURES

LIST OF TABLES

ABOUT SINGAPORE COMPACT FOR CORPORATE SOCIAL RESPONSIBILITY

Singapore Compact for Corporate Social Responsibility (Singapore Compact) was formed in 2005 to promote a holistic approach to achieve meaningful and sustainable benefits for businesses and stakeholders. Its mission is to broaden the base for collaboration between various CSR stakeholders in business, government and civil society to develop coordinated and effective strategies for the promotion of CSR in Singapore. This is done through outreach initiatives, sharing of best practices, research and studies of CSR practices in Singapore and CSR training seminars and workshops. Our end goal is to strengthen and grow Singapore's community of CSR advocates and practitioners.

In addition, as Singapore's focal point and network body for the United Nations Global Compact, a stakeholder of the Global Reporting Initiative and a participating organisation of the ASEAN CSR Network, Singapore Compact looks at bringing regional and global CSR initiatives to Singapore.

For more information, please visit www.csrsingapore.org

ABOUT NUS BUSINESS SCHOOL

The National University of Singapore (NUS) Business School is known for providing management thought leadership from an Asian perspective, enabling its students and corporate partners to leverage global knowledge and Asian insights.

The school has consistently received top rankings in the Asia-Pacific region by independent publications and agencies, such as The Financial Times, Economist Intelligence Unit, and QS Top MBA, in recognition of the quality of its programmes, faculty research and graduates. In the Financial Times Global Rankings, the NUS MBA is ranked 32nd in 2014, while the UCLA - NUS Executive MBA and Asia-Pacific Executive MBA were ranked 5th and 17th respectively in 2013.

In the biannual Forbes rankings for two-year MBA programmes, NUS Business School was ranked top in Singapore and Asia in 2013, and second among business schools outside the United States. The Quacquarelli Symonds (QS) has also ranked the school 12th in the world for accounting and finance.

The school is accredited by AACSB International (Association to Advance Collegiate Schools of Business) and EQUIS (European Quality Improvement System), endorsements that the school has met the highest standards for business education. The school is also a member of the GMAC Council, Executive MBA Council, Partnership in Management (PIM) and CEMS (Community of European Management Schools).

For more information, please visit bschool.nus.edu.sg.

EXECUTIVE SUMMARY

Singapore Compact and the National University of Singapore Business School conducted a study on the sustainability communication of 29 Real Estate Investment Trusts (REITs) listed on the Singapore Exchange in 2013 and found that:

21 REITs communicated sustainability

of which

9 REITs has properties in multiple countries

6 REITs has properties in Singapore

6 REITs has properties based overseas

Based on industry sectors

multi

10 REITs has properties across multiple sectors

5 REITs has properties in the industrial sector

3 REITs has properties in the retail sector

2 REITs has properties in the hospitality sector

1 REIT has properties in the residential sector

11 REITs communicated sustainability through their annual reports

10 REITs communicated sustainability through their annual reports and websites

01 REIT produced a sustainability report using the Global Reporting Initiative (GRI) framework.

Compared to the overall disclosures by the Mainboard listed companies, REITs fared just below the average in the disclosure of sustainability information but did better in disclosing information on governance and environmental impact.

INTRODUCTION

Buildings around the world consume more than a third of the world's energy. And building energy can account for up to 80 percent of carbon emissions in a large city.[1]

Singapore is an island-state that is substantially built up and the environmental impact of our built environment can play a major role in the long term sustainability of our country. Concerted effort has been made by the government and regulatory authorities over the past decade to encourage greater sustainability of our built environment, through certifications and awards such as the Green Mark Scheme, launched by the Building and Construction Authority in 2005.

The Real Estate Investment Trusts (REITs) are an important segment of the build environment and has substantial presence in the stock exchange. As of August 2014, there are 32 REITs and property trusts alone, with a combined market capitalisation of nearly US$70 billion.[2] More REITs are listing on the SGX, and they have a diverse portfolio of regional and global assets. Hence, besides the environmental impact of REITs, it is also important to gain an understanding on non-financial disclosures by these investment vehicles, so as to provide greater accountability and transparency for investors to gauge the long-term sustainability of these investment vehicles.

[1] Clinton Climate Initiative, Clinton Foundation
[2] Singapore Exchange

WHAT IS A REAL ESTATE INVESTMENT TRUST (REIT)?

According to Singapore's National Financial Education Programme, MoneySENSE, a REIT refers to 'an investment portfolio of incoming generating real estate assets such as offices, hotels, healthcare and industrial buildings, retail malls or serviced apartments that generates income for unit holders'. The assets portfolio is managed by a professional team, and the income generated from the asset is typically distributed to unit holders at regular intervals.

REITs were established in the United States in the 1960s so that small investors can pool their wealth in a single tax transparent property vehicle to increase their access to investments in bigger income-producing real estate programmes. Internationally, the REITs sector grew significantly at the turn of the 21st century, with more than 15 countries including Singapore, Germany, France, Japan and the United Kingdom adopting REITs for real estate ownership.

In a typical REIT structure, money is raised from unit holders through an Initial Public Offer (IPO) and used by the company to purchase a pool of real estate properties. These properties are then leased out to tenants; and in return, the income is re-distributed to the unit holders in the form of dividends. In some cases, a sponsor or a major shareholder is also present. The real estate properties under the REIT's portfolio are managed by a property manager, while the REIT itself is managed by a manager in exchange for a fee. The assets are held by a trustee on behalf of the investors. Each party receives fees in return for his or her services. Most REITs have annual managers' fees, property manager's fees, trustees' fees and other expenses that will be deducted from their cash yields before distributions are made. Some REITs which hold properties in foreign jurisdictions may also be subject to taxation in these jurisdictions.

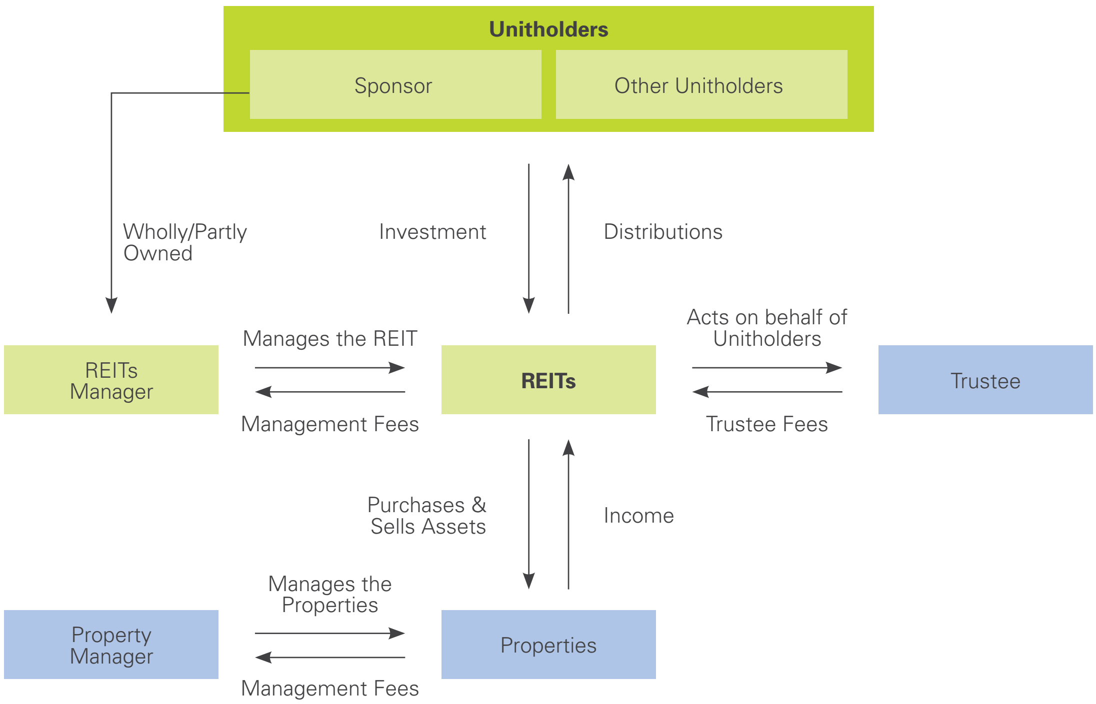

Table 1: Structure of a REIT

REITs IN SINGAPORE

REITs were first listed on the Singapore Exchange (SGX) in 2002. As of 31 December 2013, there were 36 REITs (including Business Trusts and Stapled Trusts) listed on the SGX. In 2013 alone, 7 REITs were listed on the exchange.

The number of REITs in Singapore has largely been in line with the overall developments of the local property market. This can be seen from the significant increase in the number of listings during the property boom in 2005-2007, the stagnation of the listings during the 2008-2009 Global Financial Crisis and the pickup in the listings when the property market began to recover. As of 31 December 2013, there are 36 REITs listed on SGX with 7 new REITs listed in 2013.

REITs listed on the SGX must abide with SGX listing rules. They are also subjected to the Singapore Companies Act, the Monetary Authority of Singapore (MAS)'s Code of Collective Investment Schemes, the Securities and Futures Act and the Singapore Code of Corporate Governance.

These are the three key unique features of REITs in Singapore:

- 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 35% and can be raised to 60% if a REIT obtains and discloses its credit rating

The above features do not apply to Property Trusts and the Property Trust segment of Stapled Trusts. As examples, Property Trusts are governed under the Business Trusts Act instead of the Securities and Futures Act; and, unlike a REIT, the REIT manager and Trustee of a property trust are one entity, known as the "trustee-manager".

Please refer to http://www.csrsingapore.org/c/resources for details on the differences between the two types of investment vehicles.

BUSINESS BENEFITS OF SUSTAINABILITY REPORTING FOR REITs

REITs are still in nascent stages of development in Singapore. Compared to the more mature REIT market in the United States, little studies have been done on the effects of sustainability reporting here.

Hence, to understand the business benefit that sustainability reporting could have on REITs, we turned to a previous study on a sample of 128 US REITs, which compares the number of green-certified properties and the operating performances between 2000 and 2011. The study showed that there was no significant relationship between the green portfolios and abnormal stock prices. This suggested that the stock prices of these REITs had already reflected the higher cash flow from investments in energy and water efficient properties.[3] The REITs in the sample with a higher fraction of green properties displayed significantly lower market betas, suggesting that the adoption of green-management measures may have created the buffering effect from fluctuations in the energy prices.

A second study revealed a weak relationship between the level of corporate governance and the measures of return on assets, return on equity and ratio of funds from operations to total revenue.[4]

[3] Eichholtz, P., Kok, N., & Yonder, E. (2012) Portfolio greenness and the financial performance of REITs. *Journal of International Money and Finance*, 1 – 19
[4] Bauer, R., Eichholtz, P., & Kok, N. (2009). Corporate Governance and Performance: The REIT Effect. *Real Estate Economics*. 1 - 29

OBJECTIVE OF STUDY

Despite a decade of presence in the stock market here, there is no overview of the non-financial disclosures of environmental, social and governance indicators by REITs in Singapore. Hence, Singapore Compact, in collaboration with the National University of Singapore (NUS) Business School, embarked on this brand new research study in mid-2013, to examine the rate and depth of sustainability reporting of REITs listed on the SGX. This study is affiliated to a large research study on the state of sustainability reporting of companies listed on the SGX Mainboard, which was released in July 2014.[5]

To obtain a copy of the larger research study, please go to www.csrsingapore.org/c/resources.

By embarking on this new study on REITs, Singapore Compact hopes to provide the investment community and built environment sectors in Singapore with the first-ever perspective on the state of sustainability reporting for such investment vehicles.

SCOPE OF STUDY

Out of the 42 listed Trusts on the SGX as of 31 December 2013, shipping trusts and non-real estate business trusts were excluded from the study. REITs that were newly listed in 2013 were also excluded as they would not have produced their annual reports at the time of study.

	Number of Trusts
Mainboard Listed Trusts as of 31 December 2013	42
Less: Shipping & Non Real-Estate Business Trusts	6
Less: Newly Listed Trusts in 2013 (with no annual reports available as of 31 December 2013)	7
Total sample size (trusts considered for this study)	29

Table 2: Sample size of research

[5] Loh, L., Low, B., Sim, I. & Thomas, T. (2014). Accountability for a Sustainable Future. Sustainability Reporting in Singapore among Singapore Exchange Mainboard Listed Companies 2013.

PROFILE OF REITs IN SAMPLE SIZE

The 29 REITs can be classified into two broad categories: REITs with portfolio in only one industry sector (ie. residential, hospitality, retail, industrial or healthcare), and multi-sector REITs which have portfolios in two or more industries. As there is no REIT with a pure office space portfolio, for the purpose of this study REITs with office space were subsumed under the multi-sector category. In terms of locality of the property portfolios, the majority of REITs that were being studied are those with properties in Singapore as well as other countries.

	Number of REITs
REITs with portfolio in one industry sector	
Healthcare	1
Residential	1
Hospitality	3
Retail	4
Industrial	6
REITs with portfolio in multi-sectors (including office space sector)	14
Total	**29**

Table 3: Sample size by portfolio types

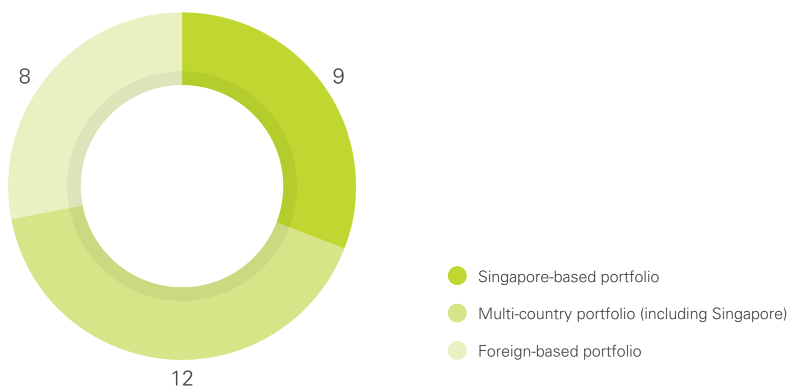

Figure 1: Sample size by locality

DEFINITIONS AND ASSUMPTIONS

As with the study on the Mainboard listed companies, this study on REITs aims to assess the level of disclosure provided by the companies of their sustainability practices. It does not seek to evaluate the firms based on their actual sustainability activities and performance, although it is assumed that a company's actual sustainable business practices are reflected through its sustainability reports and communications. Hence it is assumed that a lack of information or disclosure would mean the company does not have any CSR or sustainability policy or practice.

Information on at least one of the following non-financial aspects – social and/or environmental – must be disclosed within the stipulated time period to constitute having communicated sustainability. As publicly-listed companies in Singapore are mandated to provide disclosure on their corporate governance and economic practices under the SGX listing rules, the provision of information on governance aspects alone does not constitute to having communicated sustainability.

The disclosures could be presented as a standalone sustainability report or a section embedded within the annual report. These communication mediums will have to be publicly available and readily accessible to all stakeholders.

The companies assessed are classified according to small, medium or large market capitalisations, with small market capitalisation defined as less than S$300 million, medium market capitalisation is defined as between S$300 million and S$1 billion, and large market capitalisation above S$1 billion.

METHODOLOGY

The two methodologies used in the Mainboard study of July 2014 were used in the REITs study. These methodologies were based on the SGX Guide to Sustainability Reporting and the G3.1 guidelines released by the Global Reporting Initiative (GRI), currently the most globally recognised sustainability reporting.

Assessing Level of Disclosure Referencing GRI G3 Guidelines

The extensive GRI assessment framework was condensed to 24 criteria, which were in turn grouped into the following categories: (1) Governance, (2) Economic, (3) Environment, and (4) Social. These four broad sections encompass the foundational aspects of sustainability concerns that were most relevant to the SGX mainboard listed companies. The depth of disclosure was analysed through the assignment of scores ranging from 1 to 5 for each criterion. One point was awarded if there was no information provided or specified for the particular criterion, while five points were awarded if detailed information substantiated with measurements that were furnished.

The total score under each category was then converted to a relative score out of 5 in order to assign equal weight to each of the four categories. The maximum score that a company could obtain was determined to be 20. The scores, in percentage terms, reflect the level of disclosure to the areas of assessment in this methodology.

Assessing Level of Disclosure Referencing SGX Sustainability Reporting

From the SGX Guide to Sustainability Reporting, a coding manual was derived to assess the level of adoption of the guidelines which serves a local baseline for sustainability reporting. Companies were assessed on four broad categories (1) Foundational Principles, (2) General, (3) Environmental, and (4) Social. Companies were graded on a 0-1 system for each subsection assessment criterion. No points were awarded if there was no information provided or specified for the particular criterion, while one point was awarded if any information was disclosed. These points were then aggregated to a maximum score of 17.

For more information about the methodology, please refer to http://www.csrsingapore.org/c/resources.

GENERAL FINDINGS

Sustainability Communication of REITs listed on SGX

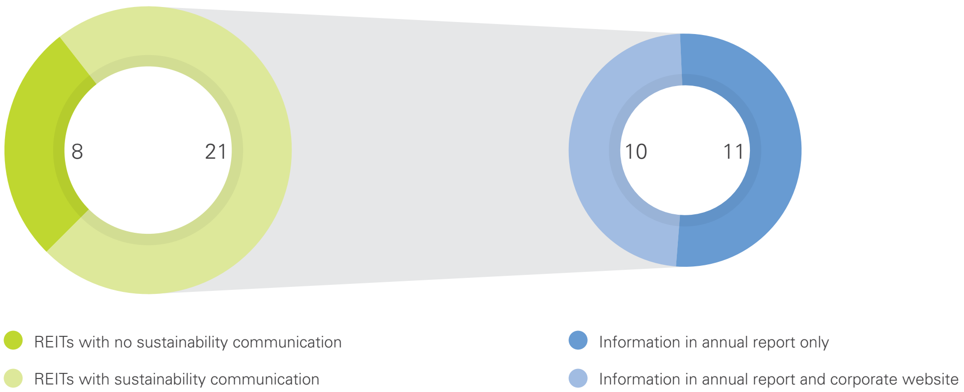

Figure 2: Sustainability communication of REITs listed on SGX

Of the 29 REITs assessed, 21 REITs communicated their sustainability efforts. Despite the high rate of reporting (72.4%) compared to companies listed on the SGX Mainboard (29.7%), only one REIT used the globally recognised Global Reporting Initiative (GRI) framework to report information related to the governance, economic, environmental and social aspects of its business. No REIT produced a standalone sustainability report, preferring to include sustainability disclosure as part of their annual reports.

Ten multi-sectorial REITs, with assets portfolio in two or more industries communicated sustainability, the highest rate among the REITs sampled, while the only healthcare REIT did not communicate sustainability, scoring the lowest rate of sustainability communication across all industry sectors.

Number of REITs by Industry

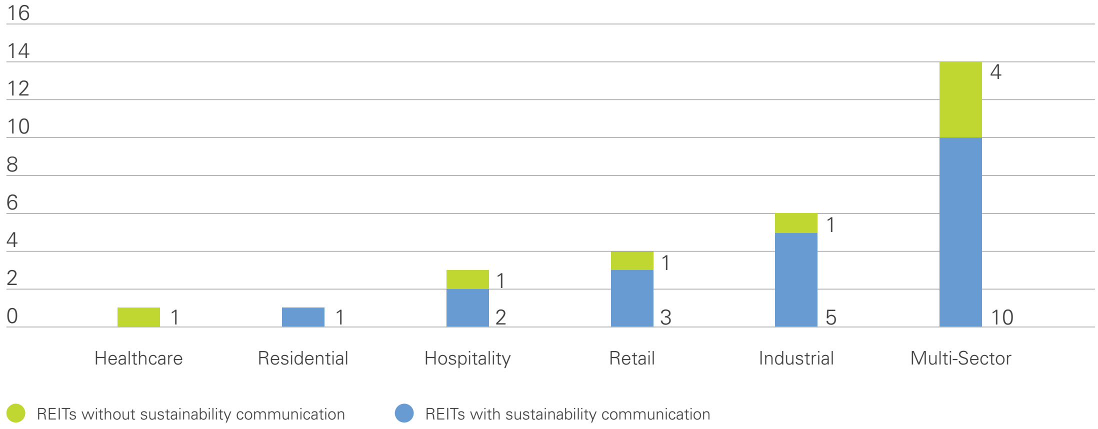

Figure 3: Rate of sustainability communication across industries

REITs with property portfolios across multiple countries (including Singapore) showed a higher rate of sustainability communication compared to REITs with only Singapore- or foreign-based portfolios.

REITs by Locality of Portfolio

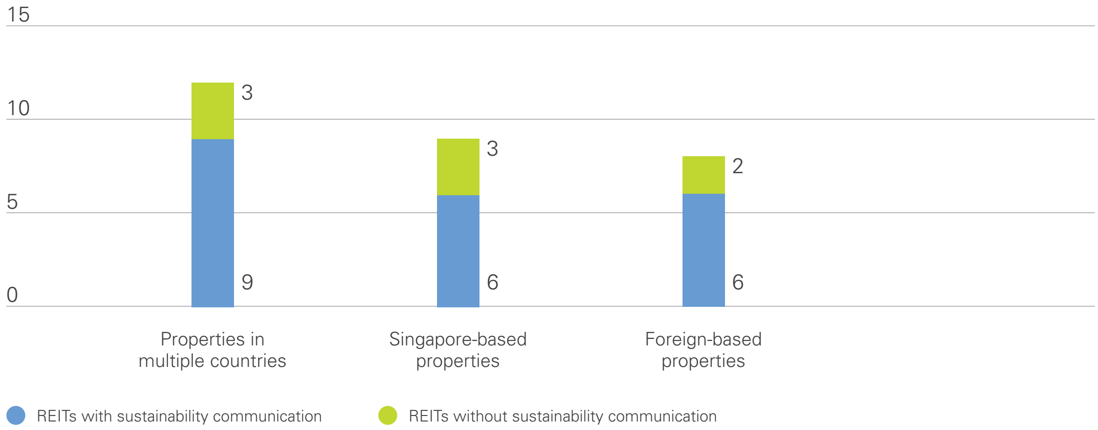

Figure 4: Rate of sustainability communication according locality of portfolio

Just over 60% of REITs that disclose sustainability information have large market capitalisation. However, the only small market capitalisation REIT in the sample size also communicated its sustainability practices. This is an indication that market capitalisation is not necessarily a limiting factor in sustainability communication.

REITs by Market Capitalisation as of 31 Dec 2013

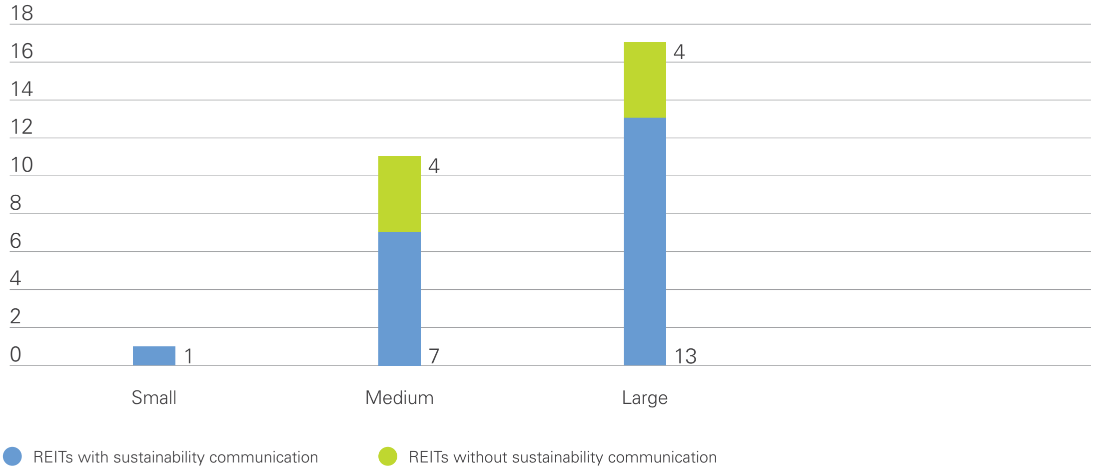

Figure 5: Rate of sustainability communication according to market capitalisation

DISCLOSURE OF SUSTAINABILITY INDICATORS

Comparing against GRI G3 framework

Overall, the average level of sustainability disclosure by REITs, at 42.4%, is marginally below the average of SGX Mainboard listed companies, at 43.4%. Compared across the various industry sectors of the Mainboard listed companies, the level of sustainability disclosure by REITs is higher than average level of disclosure of companies from the construction, manufacturing and mining and quarrying sectors.

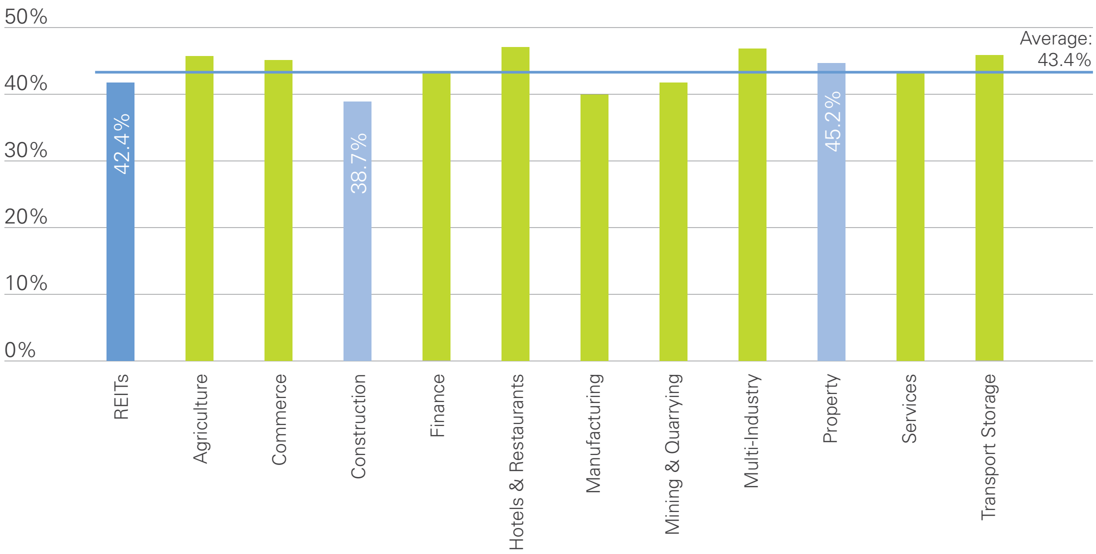

Figure 6: Comparison of average level of sustainability across industries

The construction and property industries – two industries of the built environment sector that are closely related to REITs – were covered in the research study on SGX Mainboard listed companies. Comparing the level of disclosures by these three related industries, the property sector had the highest level of disclosure, at 45.2%. It is worth noting that a number of REITs are linked to large property companies that have demonstrated high standards for sustainability reporting, based on the findings of the affiliated study on SGX Mainboard listed companies. One reason for the differences in the rate of communication between REITs and property sectors could be due to detailed sustainability disclosures of REITs being reported at the parent company and not by the individual REITs, for economies of scale. This could also explain why no REIT produced a standalone report.

As it is not possible for stakeholders to distil details of a REIT's sustainability disclosure through the parent company's sustainability reports, it may be good practice for REITs to separately disclose their sustainability performance, for greater transparency.

Meanwhile, the level of disclosure demonstrated by the construction sector is the lowest among the built environment sector – almost 4% lower than REITs. There could be opportunities for companies in the built environment sector to work together and tap on the synergies to raise the overall level of sustainability and disclosure.

Depth of sustainability disclosure

Of the four key aspects of sustainability that organisations disclosed under the GRI framework – Governance, Economic, Social and Environmental – the 21 REITs that communicated sustainability disclosed the most information on Governance indicators. Social indicators were the least disclosed sustainability information. REITs fared better in their disclosures of Governance and Environmental indicators compared to the average of SGX Mainboard listed companies. This could be due to more stringent governance structures for REITs, as well as more comprehensive disclosures on energy management, water management and product and service stewardship, as part of its property management activities.

Level of GRI Guideline Disclosures Across 4 Categories

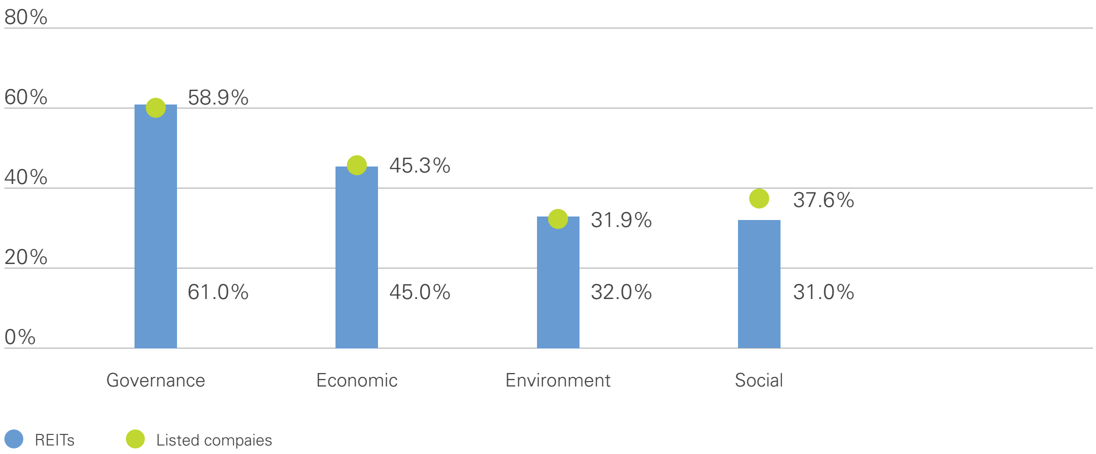

Figure 7: Comparing the level of disclosure by REITs and SGX Mainboard listed companies against GRI indicators

Governance indicators

Overall, all 21 REITs had a high level of disclosure due to the mandatory requirements stipulated by the SGX Listing Rules, exceeding the Mainboard average (58.9%) and companies in the property industry (at 59.8%).

REITs disclosed most comprehensively on the principles of corporate governance as it is a mandatory requirement for all companies listed on the SGX Mainboard. Additionally, governance procedures, anti-corruption policies and stakeholder engagement which are covered by the broad principles under the 2012 Code of Governance also guided the disclosure by REITs. It was noted that a significant number of REITs chose not to include disclosures on director remuneration that is covered under Principles 7, 8 and 9 of the Code of Governance. Given the fact that the Board is remunerated by the REIT manager and not by the REIT itself, the REIT manager could have considered such disclosures unnecessary at the REIT level.

		REITs	Listed Companies
Gov 1	Code of Corporate Governance	84.1%	84.9%
Gov 2	Governance Procedures disclosed	55.0%	54.0%
Gov 3	Anti-Corruption	50.5%	48.6%
Gov 4	Stakeholder Engagement and Inclusiveness	54.3%	48.0%

Table 4: Comparing the levels of Governance indicator disclosures by REITs and SGX Mainboard listed companies

Economic Indicators

REITs' level of disclosure on economic indicators was at the same level as the property sector (at 45.0%) and higher than the construction sector (at 37.5%). Due to the circular flow of value amongst investors and businesses in the market, REITs disclosed most comprehensively on the economic value generated. REITs also fared relatively well on the disclosure of risk management but generally demonstrated low levels of economic indicator disclosures, including Value and Supply Chain, Climate Change and Investments in non-core business infrastructures that benefit the public. These indicators may be considered less material to REITs compared to other sectors, such as manufacturing, construction and mining and quarrying sectors. Additionally, given that the REITs do not partake in the construction of the actual properties, this could have attributed to the lack of disclosures on policies to address the risks and effects of climate change. However, taking into account the relevance of energy consumption, water consumption, carbon footprints and waste production that arise from the operations of the properties, the lack of such disclosure may be a possible gap that needs to be addressed within the REIT sector.

		REITs	Listed Companies
Econ 1	Economic Value Generated	100.0%	100.0%
Econ 2	Value and Supply Chain (services and goods)	20.0%	28.0%
Econ 3	Climate Change-implications, risks, opportunities	23.8%	24.0%
Econ 4	Investment in non-core business infrastructure that benefits the public	35.2%	42.5%
Econ 5	Risk Management	45.7%	31.9%

Table 5: Comparing the levels of Economic indicator disclosures by REITs and SGX Mainboard listed companies

Environmental Indicators

In line with the REITs' business activities, disclosure on indicators pertaining to energy and water management, product and service stewardship were above the Mainboard listed companies and even the Property sector in general. However, the low level of disclosures for greenhouse gases and compliance indicators is a cause for concern. The high volume of human activities from the properties managed by REITs can create a significant impact on the emission of carbon and other greenhouse gases. Meanwhile, the need for transparency and accountability with regards to compliance to regulations such as fire safety is crucial, given that the properties managed by REITs have a large number of users.

		REITs	Listed Companies
Env 1	Energy	41.9%	34.9%
Env 2	Water	41.0%	30.6%
Env 3	Waste Management	25.7%	34.4%
Env 4	Greenhouse Gases (GHG)/Carbon Emissions	28.6%	31.4%
Env 5	Biodiversity (ecosystem and balance of species)	21.0%	26.8%
Env 6	Compliance (fire, spills, related sanctions/fines/penalties)	21.0%	25.8%
Env 7	Product and Service Stewardship	46.7%	39.8%

Table 6: Comparing the levels of Environmental indicator disclosures by REITs and SGX Mainboard listed companies

Social Indicators

The relatively low level of social indicator disclosures may be due to the small workforce employed by REIT managers, as well as the frequent use of outsourced labour to supplement a majority of work necessary to maintain a REIT's operations. Similar to Mainboard listed companies, REITs also disclosed most comprehensively on philanthropy and charity, which are the more conventional means of CSR. However, considering that a REIT's workforce includes outsourced security and maintenance personnel which are crucial to the continuation of its operations, the scope of social disclosures could be extended to the outsourced workforce as well.

		REITs	Listed Companies
Social 1	Diversity and equal opportunity (Practice)	25.7%	29.4%
Social 2	Labour/Migrant relations & Industrial relations/unionisation	31.4%	32.1%
Social 3	Occupational Health and Safety	37.1%	43.1%
Social 4	Training and Education	39.0%	41.0%
Social 5	Social - Human Rights	21.0%	25.5%
Social 6	Community Involvement	21.0%	29.4%
Social 7	Product Responsibility	21.9%	37.3%
Social 8	Philanthropy/Charitable Contributions	54.3%	63.0%

Table 7: Comparing the levels of Social indicator disclosures by REITs and SGX Mainboard listed companies

Comparing against SGX Sustainability Guidelines

Measuring against the indicators proposed in the SGX Guide to Sustainability Reporting, it was found that the level of disclosure by REITs was lower when compared to the SGX Mainboard listed companies' average. Reflecting the findings from the study using the SGX sustainability guidelines framework, across the four key categories of indicators, REITs fared the best in the general category encompassing governance- and economic-related indicators. The disparity in disclosure between REITs and SGX Mainboard listed companies is the most significant in the environmental indicators.

Level of SGX Guideline Disclosure Across All Four Material Aspects

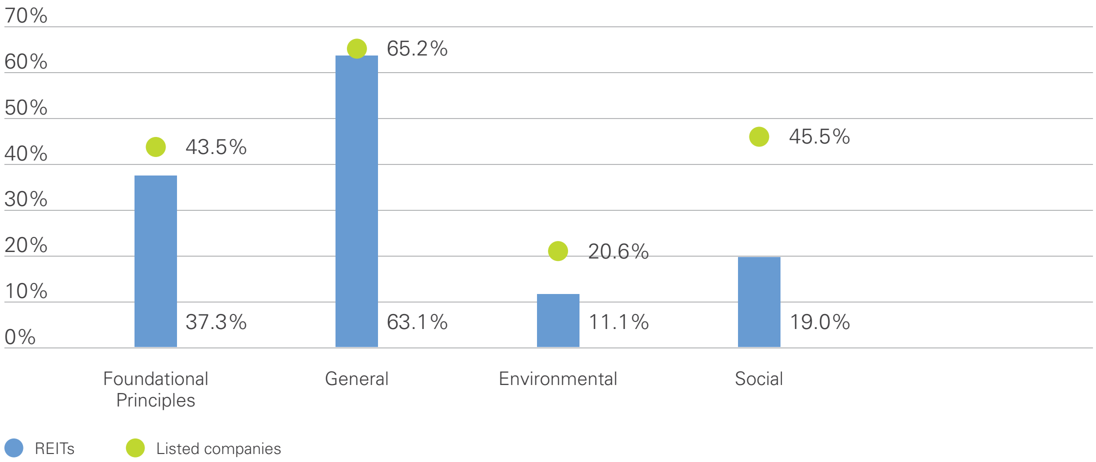

Figure 8: Comparing the level of disclosure by REITs and SGX Mainboard listed companies against the SGX Sustainability Reporting guidelines indicators

Foundational Principles Indicators

REITs demonstrated a much higher level of disclosure in performance assessment measures compared to SGX Mainboard listed companies, but fared significantly poorly in terms of risk management systems, compliance with international standards and independence assurance on sustainability reporting. Of particular concern is the lack of disclosure with regards to risk management. As REITs are predominantly investment vehicles, the lack of such disclosure could imply a weak risk management system.

Foundation Principles	Percentage of REITs with Disclosure	Percentage of Mainboard Listed Companies with Disclosures
Board responsibility and corporate accountability and seniority of decision-making on sustainability issues	33.3%	40.6%
Comprehensive risk management	14.3%	55.0%
Performance measurement systems and performance assessment against stated goals, peers and industry benchmarks	71.4%	40.6%
Does the company have sustainability reporting?	100.0%	100.0%
Does the company comply with international/industry standards (eg. GRI)?	4.8%	20.0%
Does the company have independent assurance on sustainability reporting?	0.0%	5.0%
Average disclosure for Foundational Principles	37.3%	43.5%

Table 8: Comparing the level of Foundational Principles indicators disclosed by REITs and SGX Mainboard listed companies

General Indicators

REITs performed well in the disclosure of sustainability policy and goals, corporate stance on bribery and corruption, and the issues and future challenges for the industry. However, REITs demonstrated significantly low levels of disclosure on the non-compliance of specific law and regulations that are relevant to the organisation and stakeholders.

General indicators	REITs	Listed Companies
Sustainability Policy & Goals	76.2%	64.4%
Corporate Stance on Bribery & Corruption	81.0%	93.8%
Specific Regulation & Non-compliance	4.8%	36.9%
Issues & Future Challenges	90.5%	65.6%
Average disclosure for General indicators	63.1%	65.2%

Table 9: Comparing the level of General indicators disclosed by REITs and SGX Mainboard listed companies

Environmental Indicators

REIT disclosures of environmental indicators are much lower compared to the average of Mainboard listed companies. While it is understandable that biodiversity management may not be material to many REITs, nonetheless the impact of their activities on climate change and the need for environmental management systems would be relevant to REITs. The dismal level of disclosure by REITs, and the vast difference in the level of disclosure compared to the average demonstrated by Mainboard listed companies is a cause for concern, even as the study recognises that some of the REITs that are linked to larger property companies may have disclosed its environmental indicators under the parent companies.

Environmental indicators	REITs	Listed Companies
Climate Change Disclosures	9.5%	10.6%
Biodiversity Management	4.8%	15.6%
Environmental Management Systems	19.0%	35.6%
Average disclosure for Environmental indicators	11.1%	20.6%

Table 10: Comparing the level of Environmental indicators disclosed by REITs and SGX Mainboard listed companies

Social Indicators

Similar to the findings under the GRI framework methodology, REITs performed relatively well in the disclosure of labour practices and relations, but have not disclosed much information on labour diversity and inclusion, programmes associated with the assessment and management of impact of its activities on communities, and product responsibility policy and practices. On labour diversity and inclusion, the low level of disclosure is likely due to the small workforce of each REIT.

Social indicators	REITs	Listed Companies
Labour Practices & Relations	52.4%	57.5%
Diversity & Inclusion	19.0%	36.9%
Impacts of Operations on Communities	4.8%	35.0%
Product Responsibility	0.0%	52.5%
Average disclosure for Social indicators	19.0%	45.5%

Table 11: Comparing the level of Social indicators disclosure by REITs and SGX Mainboard listed companies

GOING FORWARD – THE FUTURE OF SUSTAINABILITY REPORTING BY REITs IN SINGAPORE

The need to pay out at least 90% of their taxable income to maintain the tax transparency status could affect sustainability implementation of REITs, as REIT managers come under intense pressure to implement measures that optimise funds on hand to generate a higher yield. An earlier study on the environmental disclosures of REITs in Singapore[6] revealed that the inherent nature of REITs as an investment vehicle tends to encourage managers to focus on growing the REIT through yield accretive acquisitions to increase income, where managers may not be motivated to invest in green management measures if the tenants are not willing to pay the premium of such green refurbishments. As a result, this short-term focus of REITs on quarterly and yearly returns could be a barrier in enhancing their environmental indicator performance, which is exacerbated by potential funding constraints attributed by the need to distribute at least 90% of their taxable income to maintain the REIT's tax transparency status.

On the other hand, this study revealed that REITs fared well in terms of disclosures related to governance indicators. This greater interest in governance could be due to a REIT's inherent structure, which is strictly regulated. In the same way, J.P Morgan Australia's research in 2013 revealed that the REITs in Australia are the front runners in the disclosures of environment, governance and social practices, highlighting that government regulation on greenhouse gas emission reporting and the pursuance of greater governance disclosures by the Australian Stock Exchange fuelled the upward trend in the level of sustainability disclosures. Australian REITs' increased level in sustainability disclosures have also been influenced by greater awareness among investors. The Australian example in particular may be worth further study if Singapore wants to raise the level of sustainability disclosure through mandatory regulations.

LIMITATIONS AND FUTURE RESEARCH

As mentioned earlier, the assumption is that REITs with no publicly available information on sustainability are deemed to possess no sustainability policy or practice. It is acknowledged that there may be REITs that engage in sustainability practices which are not communicated or made publicly available due to limited resources or other reasons. Hence, the findings revealed in this study are conservative estimates of the sustainability landscape among SGX-listed REITs.

The assessment methodology is a quantitative measurement of the breadth and the depth of sustainability information disclosed by REITs. In conducting such a study, the emphasis is not on the materiality of disclosures. Subsequent studies could feature qualitative analysis of the data disclosed to assess the materiality of sustainability information disclosed by REITs.

Another area of future research could be the year-on-year improvements in REIT performance and sustainability communication. Given that REITs in Singapore now have a considerable history of more than 10 years, and are gaining acceptance and popularity as an investment vehicle, it may be worthwhile to carry out a time series study and explore whether there is a link between the yield performance and sustainability communication of REITs.

[6] Chun, J (2006). *Are REITs Built to be Green? An Environmental Analysis of Real Estate Investment Trust Law in Singapore.* Singapore: National University of Singapore

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