



Technical Report:

Reconsidering 'Social' Elements of ESG Sustainability Frameworks In A Post-Pandemic Singapore

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About Centre for Governance and Sustainability

The Centre for Governance and Sustainability (CGS), formerly known as Centre for Governance, Institutions and Organisations (CGIO) was established by the National University of Singapore (NUS) Business School in 2010 to spearhead relevant and high-impact research on governance and sustainability issues that are pertinent to Asia. This includes corporate governance and corporate sustainability, governance of family firms, government-linked companies, business groups and institutions. CGIO also organises events such as public lectures, industry roundtables and academic conferences on topics related to Governance and sustainability.

More information about CGS can be accessed at <https://bschool.nus.edu.sg/cgs/>

NUS Business School is known for providing management thought leadership from an Asian perspective, enabling its student and corporate partners to leverage global knowledge and Asian insights.

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1. Executive Summary

The COVID-19 pandemic has brought about widespread disruption across the world. Companies have been forced to exercise ingenuity and resilience when trying to operate in this new normal.

In its current iteration, the annual reports of listed companies emphasise financial and corporate governance reporting. Nonetheless, the impacts of the pandemic extend beyond the financial. Companies hoping to overcome and even thrive during this adversity must be able to manage the human element well. Evidently, such areas would fall under the ambit of social aspects of sustainability reporting.

While the Singapore Exchange's (SGX) sustainability reporting standards place a premium on stakeholder management, it may not be sufficient during these extraordinary times. This study seeks to propose 15 enhanced standards that relate to the pandemic. These enhanced standards were formulated by performing secondary research on the pandemic's effect on business continuity plans. The 15 enhanced standards were applied to a sample of 101 SGX-listed companies.



Key Insights

- 1 **Real Estate, Communication Services and Consumer Staples firms led in terms of reporting quality**
- 2 **Listed issuers from the large market capitalisation segment outperformed those from the medium market capitalisation segment** – The medium market capitalisation segment in turn outperformed the small market capitalisation segment
- 3 **It is a challenge to pass a normative judgement on companies by delineating them as being either good or poor in performance** – This is because what is considered “poor” practices are really just an absence of disclosures



Recommendations

- 1 **Listed issuers should not assume that good practices are limited to the industry group that they are a part of** – In fact, good practices are largely universal and can be implemented across industries
- 2 **To enhance the sustainability reporting performance of Singapore-listed issuers, the study recommends both SGX and the listed issuers to consider utilising the enhanced standards when evaluating performance**

Figure 1 - Key insights & recommendations

Key Findings

The team reviewed the Series 400 of the GRI standards to understand how companies report any material impacts pertaining to social areas. From the review, we proposed 15 enhanced standards related to the pandemic, summarised in Figure 2. Please refer to Figure 12 for the full list.

Proposed 15 Enhanced Standards				
Area of Focus	1 Remote Working Management	2 Crisis Management	3 Stakeholder Management	4 Employee Management
Key Focus Areas	<ul style="list-style-type: none"> Provides both the resources (laptops and digital devices) and training 	<ul style="list-style-type: none"> Engenders trust by – <ul style="list-style-type: none"> (i) having a proper business continuity plan; (ii) being transparent and clear in communicating plan to all stakeholders 	<ul style="list-style-type: none"> Securing stakeholder welfare – <ul style="list-style-type: none"> (i) Employee working conditions (ii) Wider community needs (iii) Complying with government regulations (iv) Ensuring customer welfare and fulfilling their needs 	<ul style="list-style-type: none"> Focusing on employee's long-term interests and career life cycles <ul style="list-style-type: none"> (i) Skills training (ii) Physical and mental well-being (iii) Recruitment (iv) Talent Development

Figure 2 - Overview of enhanced standards

We then utilised the proposed enhanced standards to assess a sample of 101 SGX-listed companies. Notably, we sought to strike a balance between market capitalisation and sector representation.

Sampling Methodology – Sampled 101 SGX-Listed Companies					
By Market Capitalization – 3 Groups			By Sector – 10 Distinct Sectors		Sampling Outcome
Small	Less than SGD300 million		Communication Services	Consumer Discretionary	
Medium	Between SGD300 million and SGD1 billion		Consumer Staples	Energy	
Large	Greater than SGD1 billion		Financials	Healthcare	
			Industrials	IT	
			Materials	Real Estate	

Figure 3 - Sampling methodology

39 Large
30 Medium
32 Small

The team then performed a comparative analysis across companies based on their market capitalisation and originating sectors. Separately, we attempted to distil their motivations behind good practices and attitudes towards technology.

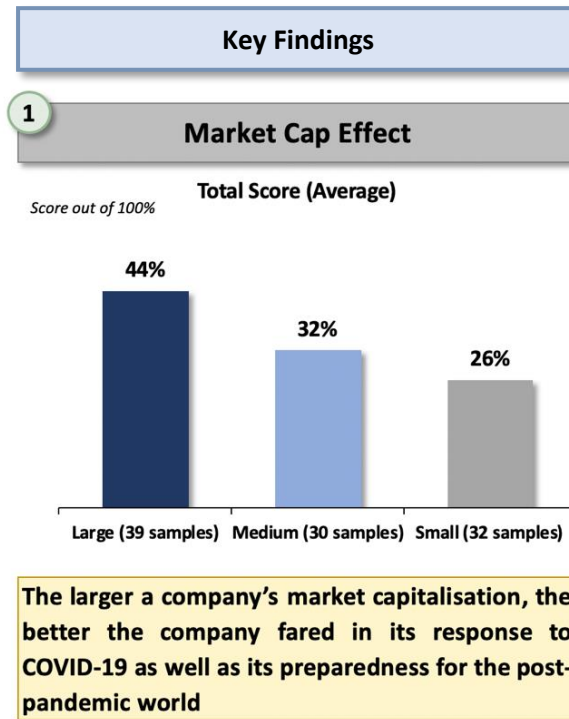
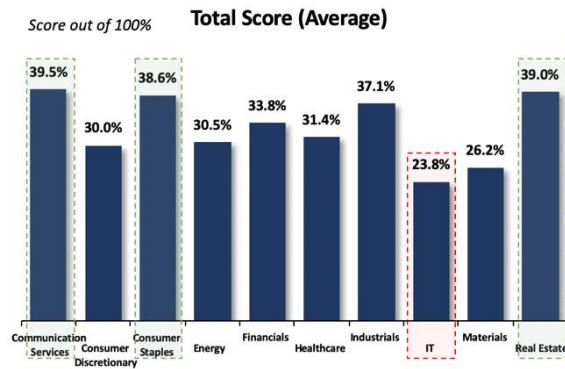


Figure 4 – Effect of company's market capitalisation

Key Findings

2

Sector Performance



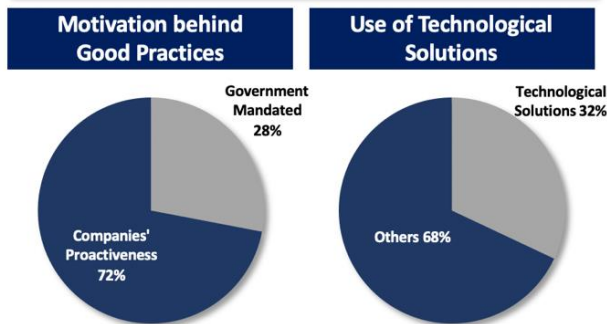
Communication Services, Consumer Staples and Real Estate companies performed the best out of the 10 sectors while IT companies did not perform well

Figure 5 – Performance across sectors

Key Findings

3

Companies' Rationale



Most of the Good Social Practices were initiated by the companies themselves

Companies adopted technological solutions to cope with the pandemic

Figure 6 – Behaviour of companies during the pandemic

2. Introduction

Objectives

Now, at another hinge in our history, it is our turn to face the crisis of a generation¹.

Lee Hsien Loong, Prime Minister, Singapore

Prime Minister Lee Hsien Loong's stirring call to confront the COVID-19 pandemic is not just an instance of rhetorical flourish but also a gritty depiction of the challenges ahead. It would not be hyperbolic to perceive the pandemic as a vicious coagulation of a public health and economic crisis.

It is important to note that the ramifications of the pandemic go beyond dismal economic forecasts. There are real consequences and stakes in terms of the disruptions wrought upon employers and employees. For instance, companies have found themselves struggling to "comply with safe-distancing measures, finding alternative supply chains and lockdowns globally, and navigated legal contracts and force majeure events"². Indeed, COVID-19 has upended the very notion of business continuity planning.

As companies attempt to play catch-up with both the pathogen and the government, regulators should consider limitations present in current reporting standards. For instance, contemporary interpretations of "occupational health and safety" are confined mainly to industrial sites and manual work. Such a reading would cause one to overlook the dangers and precautions that need to be considered in the face of a debilitating and infectious virus.

Hence, this study hopes to encourage regulators to reconsider the 'social' elements of ESG sustainability frameworks in a post-pandemic Singapore. Specifically, this study provides a review of current ESG frameworks, focusing on these frameworks' deficiencies. The study then proposes enhancements to the prevailing standards. The enhanced standards were then applied to a sample of 101 SGX-listed companies. This allows us to identify best practices that companies can take inspiration from.

¹ Government of Singapore (07 June 2020). *PM Lee Hsien Loong: Overcoming the crisis of a generation*. Gov.sg. Retrieved from: <https://www.gov.sg/article/pm-lee-hsien-loong-overcoming-the-crisis-of-a-generation>

² Tan, B.G. and Tang, M. (2020). *Issuers need to include social risks in business review amid pandemic*. The Business Times. Retrieved from: <https://www.businesstimes.com.sg/companies-markets/issuers-need-to-include-social-risks-in-business-review-amid-pandemic>

Sustainability Reporting in Singapore

SGX has adopted a steadfast manner in pushing for sustainability reporting. In 2011, SGX issued the *Guide to Sustainability Reporting for Listed Companies* to encourage voluntary sustainability reporting³. This was followed by the introduction of listing rule 711 in 2016. The rule made it compulsory for listed issuers to release a sustainability report "no later than 5 months after the end of the financial year"⁴. Specifically, issuers have to touch on five key components in their sustainability reports – "(a) material environmental, social and governance factors; (b) policies, practices and performance; (c) targets; (d) sustainability reporting framework; and (e) board statement"⁵.

According to a joint study by SGX and the Centre for Governance and Sustainability (formerly known as Centre for Governance, Institutions and Organisations) of the National University of Singapore (NUS) Business School, most material ESG factors relate to "social prospects"⁶. In particular, issues such as occupational health and safety, training and education enjoyed a high frequency of appearance amongst issuer reports⁷.

Benefits of Sustainability Reporting

In recent times, the private sector has begun appreciating the importance of sustainability reporting. The shift towards a "VUCA" (volatility, uncertainty, complexity and ambiguity) world necessitates frameworks that can offer perspicacious insights on better management practices. In that sense, sustainability reporting is well placed to meet that need. This is because a focus on environmental, social and governance (ESG) issues helps engender business sustainability while strengthening enterprise risk management.

³ Singapore Exchange. (2011). *Guide to Sustainability Reporting for Listed Companies*. SGX. Retrieved from: <https://www.globalreporting.org/resourcelibrary/SGX-Guide-to-Sustainability-Reporting-For-Listed-Companies.pdf>

⁴ Singapore Exchange. (2016). *SGX Rulebook 711A*. SGX. Retrieved from: <http://rulebook.sgx.com/rulebook/711a>

⁵ Singapore Exchange (2016). *SGX Rulebook 711B*. SGX. Retrieved from: <http://rulebook.sgx.com/rulebook/711b>

⁶ Singapore Exchange and Centre for Governance, Institutions & Organisations (December 2019). *Sustainability Reporting: Progress and Challenges*. NUS Business School. Retrieved from: <https://bschool.nus.edu.sg/cgio/wp-content/uploads/sites/7/2019/12/SGX-CGIO-Sustainability-Reporting-Progress-and-Challenges-Report-2019.pdf>

⁷ Ibid.

Embracing Sustainability

The pandemic has enhanced the need for sustainability

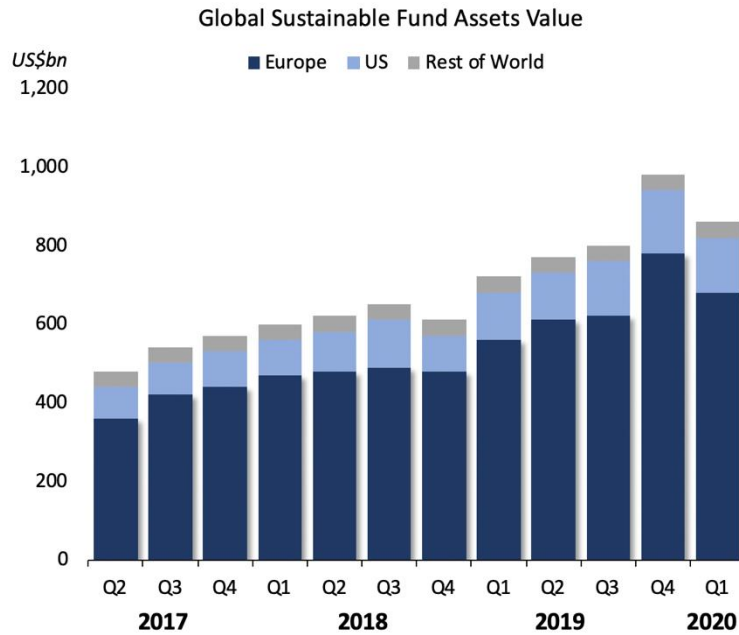


Figure 7 – Global sustainable fund assets value

Analysis

- Global sustainable funds are growing fast in recent years
- The pandemic has emphasised the allure of sustainability investing
- Morningstar's ESG indices have acquitted themselves extremely well as equities entered a bear market with 72% performing better than their broad market parents for a 5-year period through year end 2019
- Benefits of sustainability includes-
 - Enjoying market recognition and confidence
 - Gifting enhanced insights and strengthens enterprise risk management

Limitations of Existing Practices

While it is assuring to know that companies have sought to consider social elements within the aegis of SGX's sustainability reporting rules, their present struggles suggest that current requirements fall short. This is understandable given that the pandemic was akin to a black swan event.

Existing Sustainability Reporting Practices

Existing sustainability reporting standards do not take into account pandemic situations

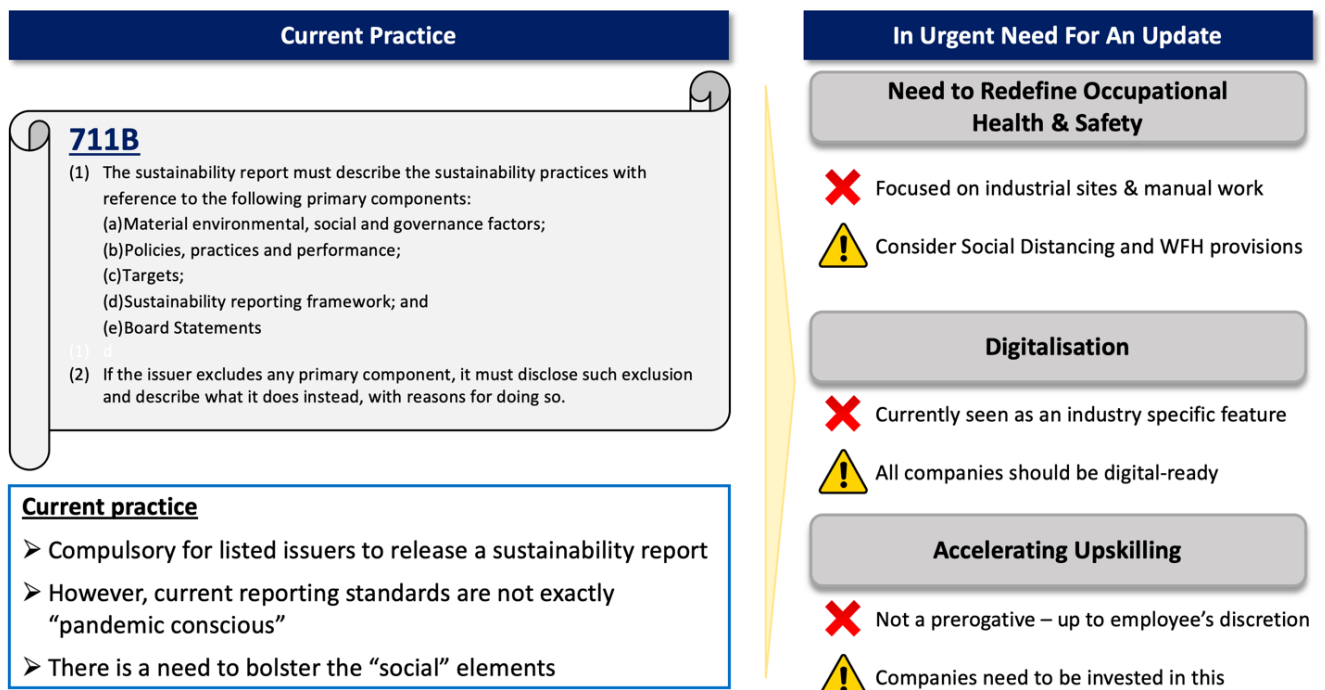


Figure 8 - Existing sustainability reporting practices

3. Proposed Enhanced Framework

3.1. Review of Common Existing Sustainability Reporting Frameworks

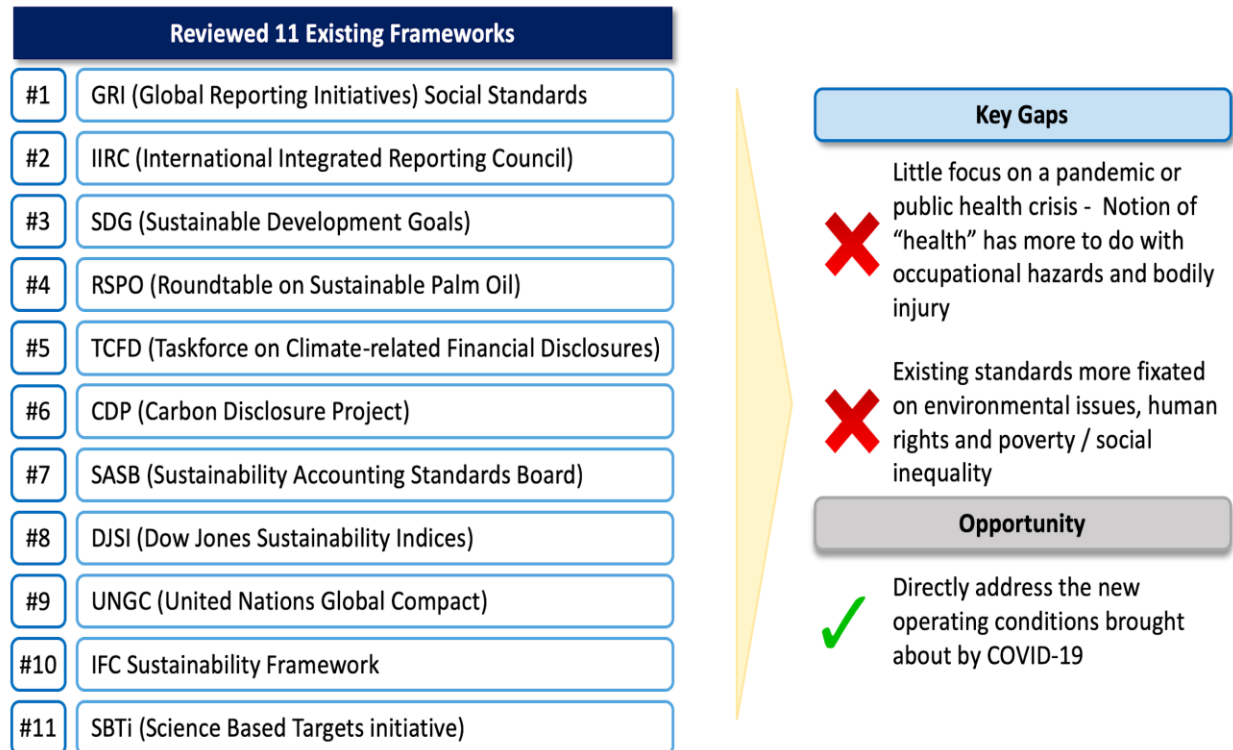


Figure 9 – Review of existing frameworks

The team observed that the bulk of a company's disclosure on its response to COVID-19 can be found within their sustainability reports. Companies tend to rely on sustainability reporting frameworks when drafting and publishing their disclosures; therefore, it is crucial to study the sustainability reporting frameworks that SGX-listed companies use in their reporting.

Specifically, we identified **11** common frameworks used by SGX-listed companies. We evaluated the frameworks based on two considerations: (i) how popular it was in terms of usage within SGX-listed companies and (ii) whether the framework is useful for framing their pandemic response measures.

3.2. Development of Enhanced Framework

Methodology to Develop Enhanced Standards

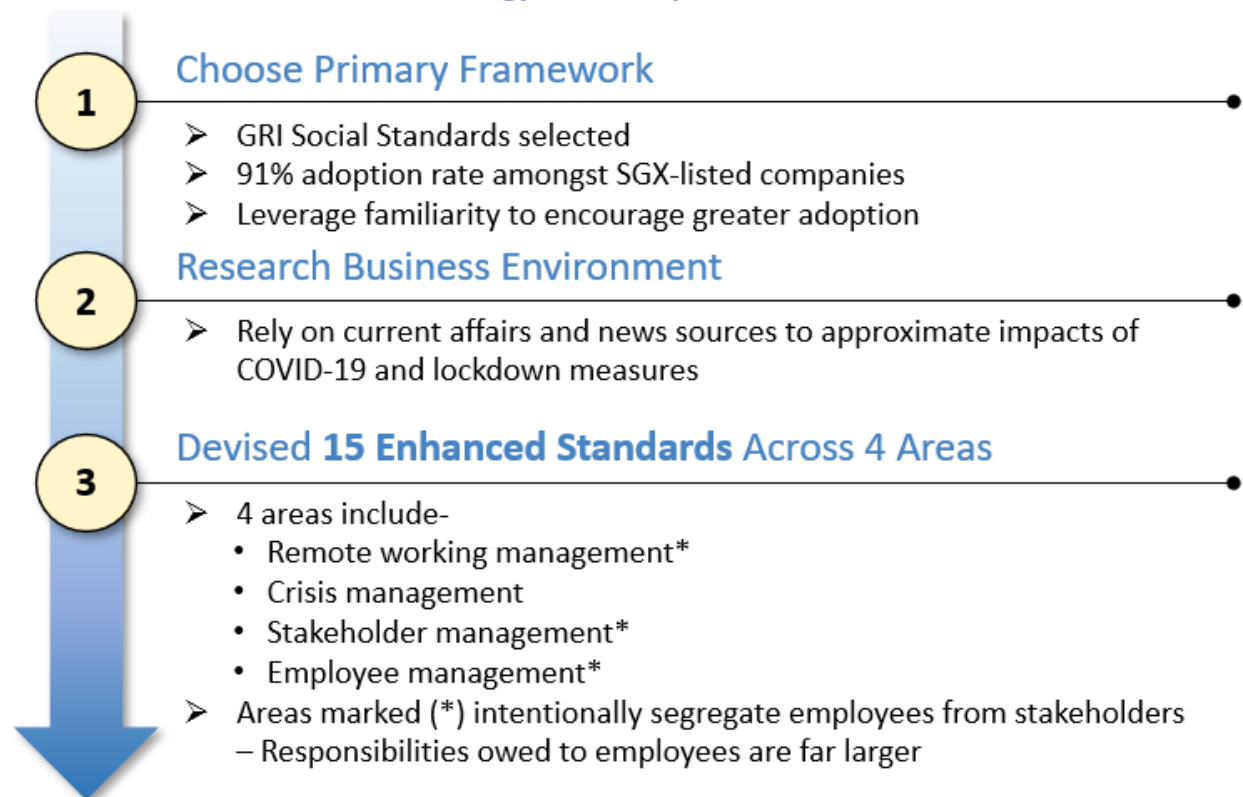


Figure 10 - Methodology to develop enhanced framework

We concluded that GRI is the most commonly used framework amongst SGX- listed companies based on our findings. It can be assumed that most businesses are familiar with it. Furthermore, GRI is the most comprehensive framework in terms of having standards that can guide companies to disclose their responses to COVID-19. The GRI 400 series standards that focus on ‘Social’ material topics disclosures already have 6 existing standards relevant to a pandemic response.

Therefore, we decided to develop an enhanced framework that builds upon the existing GRI framework instead of creating a new one. This should encourage adoption by companies and consultancies (often engaged in writing sustainability reports) since they are already familiar with the GRI framework.

In our Enhanced Framework to GRI 400 series, we relied on current affairs and news sources to gauge relevant topics and actions that a company can adopt to be effective in a pandemic world. We developed 15 new standards to supplement the pre-existing 6 relevant standards from GRI 400 series based on this research.

Area of Focus	15 Proposed Social Standards	Key Focus Areas
1 Remote Working Management	B01 - Remote Working Access B02 - Enhancing Remote Work Management Skills	➤ Provide both the resources (laptops and digital devices) and the training
2 Crisis Management	B03 - BCP/Crisis Management Committee B04 - Clarity Of Internal Communications During A Crisis B05 - Clarity Of External Communications During A Crisis	➤ Engender trust by (i) having a proper business continuity plan and (ii) being transparent and clear in communicating the plan to all stakeholders
3 Stakeholder Management	B06 - Split Team Arrangements B07 - Contributions To The Local Community During A Crisis B08 - Understanding And Compliance With Local Health Authorities B09 - Assurance Of Customers' Health And Safety During/Post Pandemic B10 - Supporting Customer's Needs During A Crisis	➤ Securing stakeholder welfare (i) employee working conditions, (ii) wider community needs, (iii) complying with government regulations, (iv) ensuring customer welfare and fulfilling their needs
4 Employee Management	B11 - Promote Training & Upskilling During A Crisis B12 - Assurance Of Employee's Health And Safety During/Post Pandemic B13 - Engaging In Fair Hiring Practices During A Crisis B14 - Maintaining Employee Headcounts During A Crisis B15 - Hiring Graduates/Non-Graduates In A Crisis	➤ Focusing on employees' long-term interests and career life cycle: (i) skills training, (ii) physical and mental well-being, (iii) recruitment, (iv) talent development

Figure 11 - Summary of 15 proposed standards

The following table juxtaposes the proposed 15 enhanced standards against the existing 6 standards from the GRI 400. To ensure continuity, the team has adopted a similar style used by GRI for describing each standard.

Part A: Existing Standards from GRI 400	
GRI 402-1: Labor/management relations	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Disclosure on the minimum number of weeks' notice is typically provided to employees and their representatives prior to implementing significant operational changes that could substantially affect them.</p> <p>Keywords: operational changes, notice</p>
GRI 403-6: Promotion of worker health	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>a. An explanation of how the organisation facilitates workers' access to non-occupational medical and healthcare services, and the scope of access provided.</p> <p>b. A description of any voluntary health promotion services and programs offered to workers to address major non-work-related health risks, including the specific health risks addressed, and how the organisation facilitates workers' access to these services and programs.</p> <p>Keywords: health, safety</p>

<p>GRI 403-10: Work related ill health</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>The reporting organisation shall report the following information:</p> <p>a. For all employees:</p> <ul style="list-style-type: none"> i. The number of fatalities as a result of work-related ill health; ii. The number of cases of recordable work-related ill health; iii. The main types of work-related ill health. <p>Keywords: ill health</p>
<p>GRI 413-1: Operations with local community engagement, impact assessments, and development programs</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Percentage of operations with implemented local community engagement, impact assessments, and/or development programs, including the use of:</p> <ul style="list-style-type: none"> i. social impact assessments ii. public disclosure of results of environmental and social impact assessments; iii. local community development programs based on local communities' needs; iv. stakeholder engagement plans based on stakeholder mapping; <p>Keywords: community</p>
<p>GRI 419-1: Non-compliance with laws and regulations in the social and economic area</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>The reporting organisation shall report the following information:</p> <p>a. Significant fines and non-monetary sanctions for non-compliance with laws and/or regulations in the social and economic area in terms of:</p> <ul style="list-style-type: none"> i. total monetary value of significant fines; ii. total number of non-monetary sanctions; iii. cases brought through dispute resolution mechanisms. <p>b. If the organisation has not identified any non-compliance with laws and/or regulations, a brief statement of this fact is sufficient.</p> <p>c. The context against which significant fines and non-monetary sanctions were incurred</p> <p>Keywords: non-compliance, fine</p>
<p>GRI 416-2: Incidents of non-compliance concerning the health and safety impacts of products and services</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>The reporting organisation shall report the following information:</p> <p>a. Total number of incidents of non-compliance with regulations and/or voluntary codes concerning the health and safety impacts of products and services within the reporting period, by:</p> <ul style="list-style-type: none"> i. incidents of non-compliance with regulations resulting in a fine or penalty; ii. incidents of non-compliance with regulations resulting in a warning; iii. incidents of non-compliance with voluntary codes. <p>b. If the organisation has not identified any non-compliance with regulations and/or voluntary codes, a brief statement of this fact is sufficient.</p> <p>Keywords: non-compliance, customer, health and safety</p>
<p>Part B: Enhanced Standards</p>	
<p>B01: Remote working access</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether the company issues laptops/smartphones to staff (as opposed to desktop computers and phones) to facilitate remote working arrangements, b. Whether the office is equipped with video conferencing gear to facilitate remote meetings c. Use of technology to support business processes d. Whether the organisation provides necessary broadband infrastructure i.e. Wi-Fi for its employees working from home. <p>Keywords: technology</p>

B02: Enhancing remote work management skills	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether the company's managerial staff were provided with training on how to manage subordinates via a remote set-up b. Whether managers are equipped with the relevant knowledge on how to maintain morale and sustain employee motivation amidst remote working arrangements <p>Keywords: management, morale, motivation</p>
B03: BCP / crisis management committee	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Company has a Business Continuity Plan (BCP) b. Presence of crisis/pandemic management committee (i.e. BCP committee, pandemic crisis EXCO team) that implement BCP and monitor regulatory changes c. Management team monitoring the impact of COVID-19 on business d. Responsiveness to situation evolution (i.e. how long did the company take to respond to the pandemic response; were actions taken only after government intervention or was a proactive response taken?) <p>Keywords: BCP, committee, management</p>
B04: Clarity of internal communications during a crisis	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. The company's approach towards a crisis and the necessary steps that were taken, b. The company's internal communications channel and the way information was disseminated to employees, c. Whether employees were consulted and their views deliberated upon as crisis management measures were being devised, d. Whether employees are aware on how to react if they are quarantined (when they are sick, not sick but are not able to work, when working from home), e. Whether there is a proper operations plan in the event that a portion of the staff are quarantined. f. Whether the company has responded to concerns from all other internal stakeholders <p>This is an enhancement to GRI 402-01: Labour/ management relations.</p> <p>Keywords: communications</p>
B05: Clarity of external communications during a crisis	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether they have proactively communicated with clients to manage their expectations, b. Whether they have provided reassurance over supply of products and services, c. Whether customers have been made aware of any disruption to product or service availability d. Whether contractual obligations are being upheld. e. Whether the company has responded to concerns from all other external stakeholder groups (business partners, community, investors, customers, regulators, media, NGOs, suppliers/contractors) <p>Keywords: clients, customers, communications</p>
B06: Split team arrangements	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example</p> <ul style="list-style-type: none"> a. Whether the company has a clear reporting structure and if employees have reserves/stand-ins to take charge in the event that he/she is not able to fulfil their duties, b. Whether the company has multiple offices or locations to ensure that staff are not concentrated at a central location, c. Whether employees have prepared handover instructions, d. Whether the company has a clear set of systems and process training to manage handovers between employees. <p>Keywords: split team, BCP</p>

B07: Contributions to the local community during a crisis	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Disclosure on donations/CSR initiatives:</p> <ul style="list-style-type: none"> a. Return of Job Support Scheme (JSS) pay-outs to the Government b. Donation to local community funds to help the needy <p>Keywords: JSS, donation</p>
B08: Understanding and compliance with local health authorities	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether there is an active channel for the management to disseminate health authority advisories that are to be followed b. Clearly states the employees who are responsible for keeping track of any legislative changes and the effects on business continuity c. Provide the number and percentage of workers who are i) Working in the office and 2) Working from home. <p>This is an enhancement to GRI 419-1: Non-compliance with laws and regulations in the social and economic area</p> <p>Keywords: compliance, legislation</p>
B09: Assurance of customer's health and safety during/ post pandemic	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. The number of ill customers (e.g. With novel communicable diseases) within its business premises b. Whether the organisation has a health monitoring system in place for its customers ^ c. Whether the organisation has health-related SOPs in place for its customers <p>^: a health monitoring system can refer to i) a surveillance system that monitors the temperature log of the customers, ii) contact-tracing system etc.</p> <p>Keywords: monitoring, safety</p>
B10: Supporting customer's needs during a crisis	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether the organisation has reviewed their retail and front-facing operations b. How the organisation has taken measures to enhance the safety of both staff and customers c. Whether the organisation has reduced their retail presence (i.e. maintaining certain branches and keeping the rest closed) d. How they have tailored their business to meet the needs of customers and to keep products and services available <p>Keywords: retail presence, business continuity, safety</p>
B11: Promote training & upskilling during a crisis	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether the training and development programmes have persisted during a crisis b. How the organisation has focused on broadening their employees' skills and capabilities during the relatively lull period <p>Keywords: skills development, retraining</p>
B12: Assurance of employee's health and safety during/post-pandemic	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether the organisation provides necessary PPEs (e.g. masks, face shield) for employees within the business premises. b. Whether the organisation has a health-monitoring system in place for its employees c. Whether the organisation conducts engagement sessions to ensure its employees' mental well-being and whether the organisation records the participation rate. d. Acknowledges the importance of employees' health and safety <p>Keywords: mental well-being, monitoring, PPE</p>

<p>B13: Engaging in fair hiring practices during a crisis</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. No hiring freeze during the pandemic b. Hiring mid-career entrants as opposed to fresh graduates to avoid incurring costs in money and time due to training c. Hiring senior citizens d. Paying workers a fair wage (above minimum wage) e. Guarantee of salary increments and bonuses for the year <p>Keywords: hiring, employment</p>
<p>B14: Maintaining employee headcounts during a crisis</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Not having mass termination or furloughing of employees b. How the organisation is managing the retrenchment and transition process (i.e. whether severance packages are issued, whether employees are re-assigned to other work functions) <p>This can be an enhancement of GRI 402: Labour/ Management Relations.</p> <p>Keywords: retrenchment, termination, headcount</p>
<p>B15: Hiring graduates/non-graduates in a crisis</p>	<p>Assessment Rubrics: 1: Yes 0: No, Max 1 points</p> <p>Example:</p> <ul style="list-style-type: none"> a. Whether it commits to new hires during/post-pandemic and/or took part in government initiatives e.g. SG United Traineeships Programme b. Whether it details the number of new hires during/post pandemic c. Whether it has detailed any initiative to be an active hiring employer during/post pandemic <p>Keywords: new hires, active</p>

Figure 12 - Existing standards from GRI 400 and enhanced framework

4. Sample Selection

We selected 101 SGX-listed companies as the sample pool where we conducted an analysis of these companies' adherence to existing ESG frameworks and examined new company initiatives implemented since the COVID-19 outbreak.

To have a sample pool that was representative of the population, we adopted a stratified sampling method by classifying the 681 SGX-listed companies into 3 different buckets according to their market capitalisations - Large: Greater than SGD1bn, Medium: Between SGD300mn and SGD1bn; and Small: Less than SGD300mn.

Additionally, the team wanted an equal representation of companies from different sectors to better understand any potential correlation between the sector and company disclosure level. As such, we include a second layer of stratification by selecting the companies from the following 10 sectors: Communication Services, Consumer Discretionary, Consumer Staples, Energy, Financials, Healthcare, Industrials, IT, Materials, Real Estate.

From these levels of sampling criteria, we then obtained a sample size of 101 companies with 39 large companies, 30 medium companies and 32 small companies.

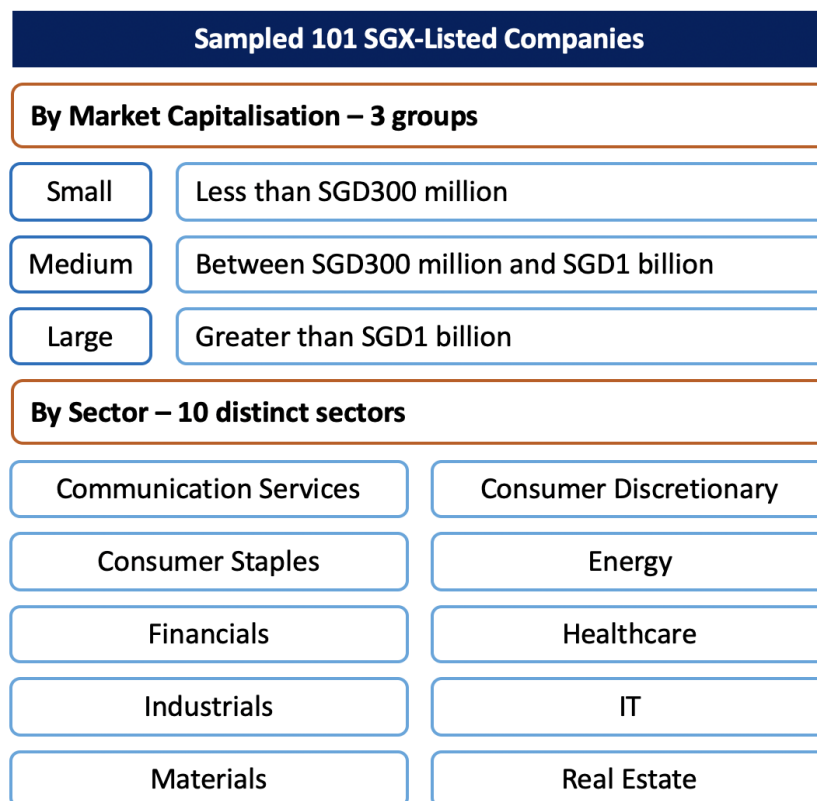


Figure 13 - Sample stratification

Limitations of Study

Prima facie, the sample does not look representative given that 77% of SGX-listed firms can be classified as small companies. Due to the nature of the available dataset and that most of the small companies were listed on the Catalist rather than Mainboard, the team found that disclosures from such companies were poor due to limited resources and time constraints. Given the limitations in pursuing the sample pool's representativeness, the team decided to accord equal weight to sector representation.

5. Results Discussion

5.1 Market Capitalisation ("Market Cap") Effect

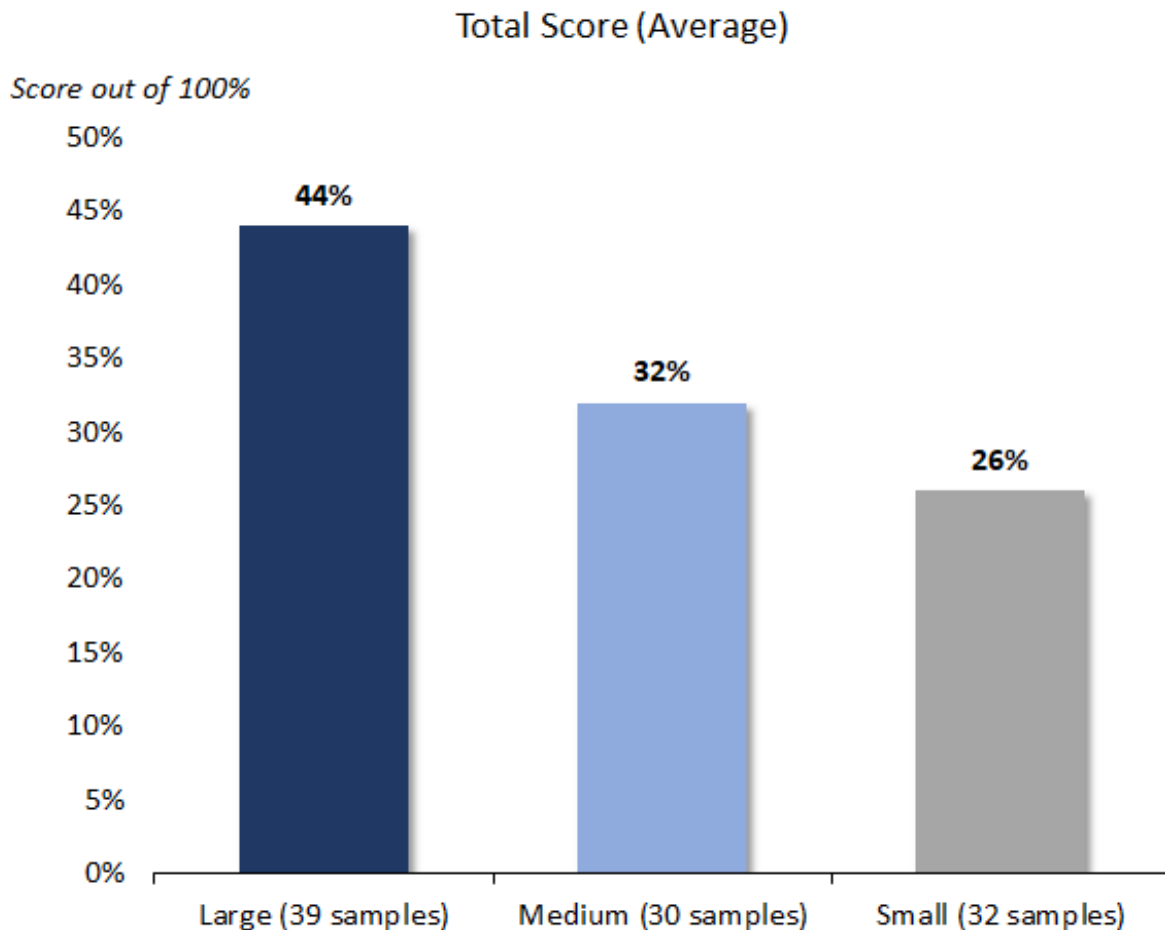


Figure 14 - Total score by market capitalisation

The general trend that can be observed is that the larger a company's market capitalisation (market cap), the better the company fared in its response to COVID-19 as well as its preparedness for the post-pandemic world.

One possible reason why companies with a larger market cap performed better could be due to their extensive resources. This allows them to offer assurances in maintaining headcounts, implementing split team operations, and continuing operations during the circuit breaker period to serve customer needs.

On the other hand, smaller companies tend to have fewer resources. Some smaller companies such as Viking Offshore and Marine Limited (Catalist board, market cap: SGD 4.4mm and placed under a trading suspension) achieved a score of 5 (23%). This is a case of a company having far more urgent priorities and concerns on their plates and thus are unable to muster a satisfactory response to COVID-19. Similarly, Hosen Group Ltd (Catalist board, market cap: SGD 9.1mm) achieved a score of 4 (19%).

5.2 Analysis of Score Performance by Sector

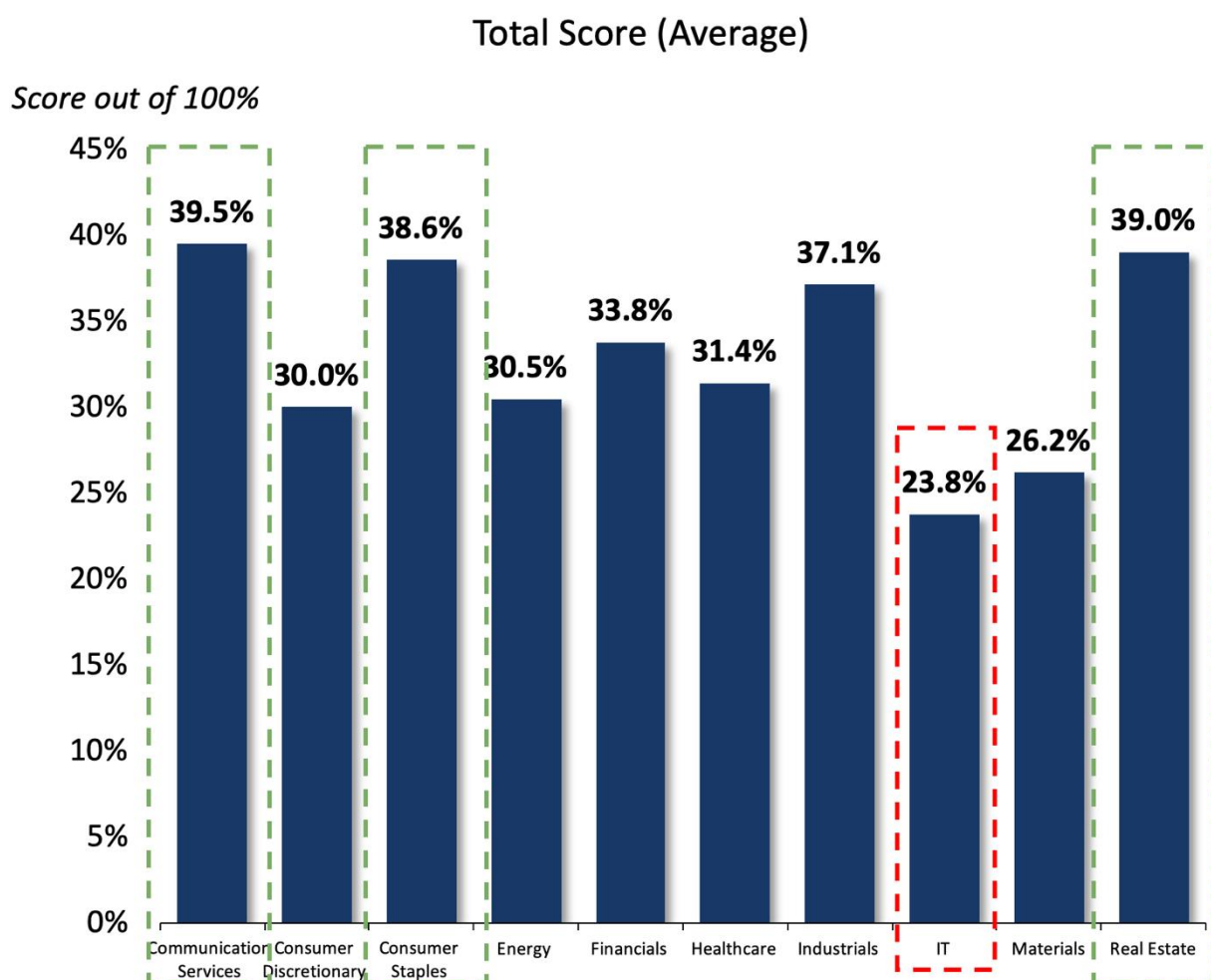


Figure 15 - Total score by industry sector

Based on our proposed framework's scoring, the **Communication Services**, **Consumer Staples** and **Real Estate** companies performed best while **IT** companies fared poorly.

In order to dive deeper into each sector's performance for a specific standard, we developed a heat chart to visualize the specific areas where each sector performs best. In particular, darker shades of **orange** indicate a higher percentile in scoring across all the sectors. Conversely, lighter shades of **orange** indicate poor disclosure or performance for that particular standard.

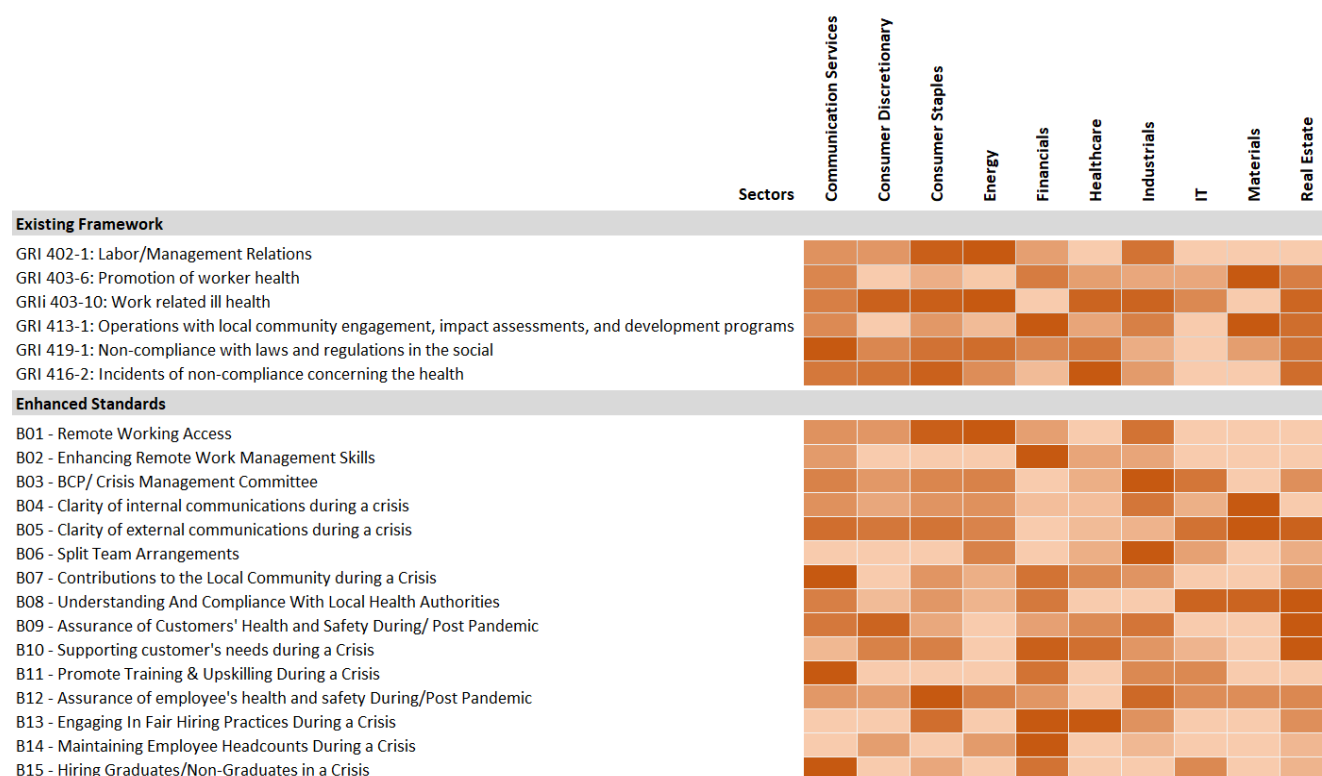


Figure 16 - Heat chart representation of sector performance

Communication Services

Average Score: **8.3** out of 21 (40% out of 100)

Notably, the telecommunication providers have sought to contribute to the local community amidst these trying times. Specifically, NetLink NBN Trust, Singtel and StarHub all disclosed that they have been enhancing Internet access to the underprivileged. For instance, NetLink NBN Trust stated in their latest annual report that they have "contributed S\$200,000 in FY 21 towards the Home Access Programme administered by IMDA"⁸. Similarly, Singtel disclosed in their latest sustainability report that they have "provided refurbished laptops and data SIMs to

⁸ NetLink NBN Trust (22 June 2020). *Empowering Lives Connecting A Smart Nation*. Annual Report 2020. Retrieved from: <https://links.sgx.com/1.0.0/corporate-announcements/LHSWP1DOREWP74LY/613487362555482ba0e1e5aa5a7ae7fdb8301029579a1f25b3fd79a565ef209c>

disadvantaged students for their home-based learning"⁹. Aside from demonstrating altruism, these initiatives highlight the organisation's ingenuity in trying to achieve synergy between their competitive advantages and ESG objectives.

Companies of interest: Singapore Telecommunications Limited (Best performer in the sample) – 18 points

Consumer Discretionary

Average Score: **6.3** out of 21 (30% out of 100)

Based on the companies sampled, it would appear that companies involved in hospitality and tourism performed better than those in the food & beverage (F&B) or retail. This could be due to the high level of disruption that tourism providers are subject to during a pandemic which can stultify global travel patterns. As such, it would reasonably follow that they would be well-prepared to adjust their business operations so as to minimise the ill effects wrought by the COVID-19.

Companies of interest: Straco Corporation Limited (Best performer in the sample) – 13 points

Consumer Staples

Average Score: **8.1** out of 21 (39% out of 100)

The team observed that sampled companies fared well in terms of their ability to support their customer's needs amidst the pandemic. Notably, their factories remained open, thus ensuring that the supply of staples to consumers remained unaffected.

Companies of interest: Fraser and Neave (Best performer in the sample) – 12 points

Energy

Average Score: **6.4** out of 21 (30% out of 100)

The team witnessed a generally poorer performance across the standards. Many energy companies had been badly affected by the global oil glut in the first half of 2020 which was caused

⁹ Singapore Telecommunications Limited (01 July 2020). *Singtel Group Sustainability Report 2020*. SGX. Retrieved from: <https://links.sgx.com/1.0.0/corporate-announcements/RHN67VKAN4ZOZDWZ/6fd78a120ccc0aca86c727440d5e8da3a71e6012e647c5c3776e12b723af239a>

by global nationwide lockdowns. As a result, most companies posted a fall in profits, losses, or massive impairments to assets. This severely reduced many companies' abilities to hire or continue maintaining headcount. There were also more pressing financial matters such as solvency and liquidity concerns to focus on in their annual reports, which reduced the reporting company's willingness or capacity to discuss other matters such as CSR participation.

Companies of interest: As a result of the crash in energy prices, a few companies in the sample were under trading suspension. We note that these companies tended to perform below average in their pandemic response:

- Viking Offshore and Marine Limited (trading suspension) – 5 points
- Ezion Holdings Limited (trading suspension) – 6 points

Financials

Average Score: **7.1** out of 21 (34% out of 100)

There were generally high standards in locally listed banking groups due to higher standards in public information reporting required by MAS. One interesting observation was that many companies were able to make a pledge to engage in fair hiring practices, maintain employee headcounts or even hire graduates/non-graduates in entry level roles. This demonstrates the commitment that these companies have to Singapore's long-term development and proved that banks and financial institutions are more resilient in this crisis as compared to the Global Financial Crisis 12 years ago.

Companies of interest: DBS Group Holdings Ltd (Best performer in the sample) – 15 points

- The bank committed to hire over 2,000 employees in 2020, with more than 1,000 roles for fresh graduate trainees¹⁰.

Healthcare

Average Score: **6.6** out of 21 (31% out of 100)

The healthcare sector fared rather poorly across the standards. This is a cause for concern given that COVID-19 is a pandemic and the healthcare sector ideally should have a higher score. The team noted that Healthcare Delivery companies such as Raffles Medical Group and Q & M Dental Group (Singapore) Limited scored better than the other healthcare companies in the Medical Technology and Associated Healthcare Services sectors.

¹⁰ Choy, N. (15 May 2020). *DBS to hire over 2,000 this year despite pandemic*. The Business Times. Retrieved from: <https://www.businesstimes.com.sg/banking-finance/dbs-to-hire-over-2000-this-year-despite-pandemic>

Companies of interest: Raffles Medical Group (Best performer in the sample) – 13 points

Industrials

Average Score: **7.8** out of 21 (37% out of 100)

The industrials sector performed well compared to other sectors. The team noted that the companies with larger market capitalisation performed better compared to companies with smaller market capitalisation. This difference in level of disclosure could be attributed to the size and organisational resources at the disposal of large companies. These larger companies have to address the needs of a larger set of stakeholders while the smaller companies might have other operational priorities that are more important to their business.

Companies of interest: Singapore Airlines (Best performer in the sample) – 15 points

IT

Average Score: **5.0** out of 21 (24% out of 100)

The IT sector fared poorly when compared to the other industries. Their poor performance primarily stems from their lack of disclosure, especially in adapting their business operations amid COVID-19. However, within the IT companies, scores vary across a spectrum.

Companies of interest: AEM Holdings Limited (Best performer in the sample) – 12 points

Materials

Average Score: **5.5** out of 21 (26% out of 100)

Companies of interest: Hanwell Holdings (Best performer in the sample) – 8 points

Real Estate

Average Score: **8.2** out of 21 (39% out of 100)

Across the sampled industries, the Real Estate (RE) emerged as one the best performers. The sampled companies generally have robust disclosures on COVID-19 related standards. RE stood out from the other industries when 14 out of the 17 sampled RE companies logged a disclosure in the "Supporting customer's needs during the crisis" (Enhanced Standard B10). This finding is in consonance with the government's COVID-19 Temporary Measures Bill, which mandated

property owners to pass down on their full amount of property tax rebates to tenants¹¹.

Companies of interest: CapitaLand (Best performer in the sample) – 14 points

5.3 Stakeholder Engagement

Aside from examining the influence that market capitalisation and industry type have on social performance, we considered the level of engagement companies had with each stakeholder group. This is because stakeholder engagement is critical for companies trying to optimise and shape their ESG practices. Through frequent engagement with the "views of stakeholders", companies will be able to gain "a better understanding of sustainability in the context of their business and operating environment"¹².

In relation to our study, we have concentrated our stakeholder engagement groups to the following:

- (i) Investors
- (ii) Suppliers/Contractors
- (iii) Media
- (iv) Customers
- (v) Government and other regulators
- (vi) Employees
- (vii) Community

The aforementioned stakeholder groups were selected based on two criteria. Firstly, the aggregation of all groups should provide a comprehensive snapshot of the company's operating environment. This would allow us to track the company's performance and behaviour amidst the pandemic.

Secondly, these stakeholder groups had to be directly or indirectly associated with the pandemic. For instance, the media serves as a communications intermediary for companies to disseminate business updates. Separately, the government and other regulators play a moderating role in

¹¹ Ministry of Finance. (02 April 2020). *COVID-19 Relief Measures: Upcoming Legislative Provisions To Impose Obligation on Property Owners To Pass On The Property Tax Rebate In Full To Tenants*. MOF. Retrieved from: <https://www.mof.gov.sg/newsroom/press-releases/covid-19-relief-measures-upcoming-legislative-provisions-to-impose-obligation-on-property-owners-to-pass-on-the-property-tax-rebate-in-full-to-tenants>

¹² Singapore Exchange and Centre for Governance, Institutions & Organisations (December 2019). *Sustainability Reporting: Progress and Challenges*. NUS Business School. Retrieved from: <https://bschool.nus.edu.sg/cgio/wp-content/uploads/sites/7/2019/12/SGX-CGIO-Sustainability-Reporting-Progress-and-Challenges-Report-2019.pdf>

guiding company actions amidst the pandemic. Needless to say, the other stakeholder groups are directly tied to the company's decisions and actions.

Evaluation

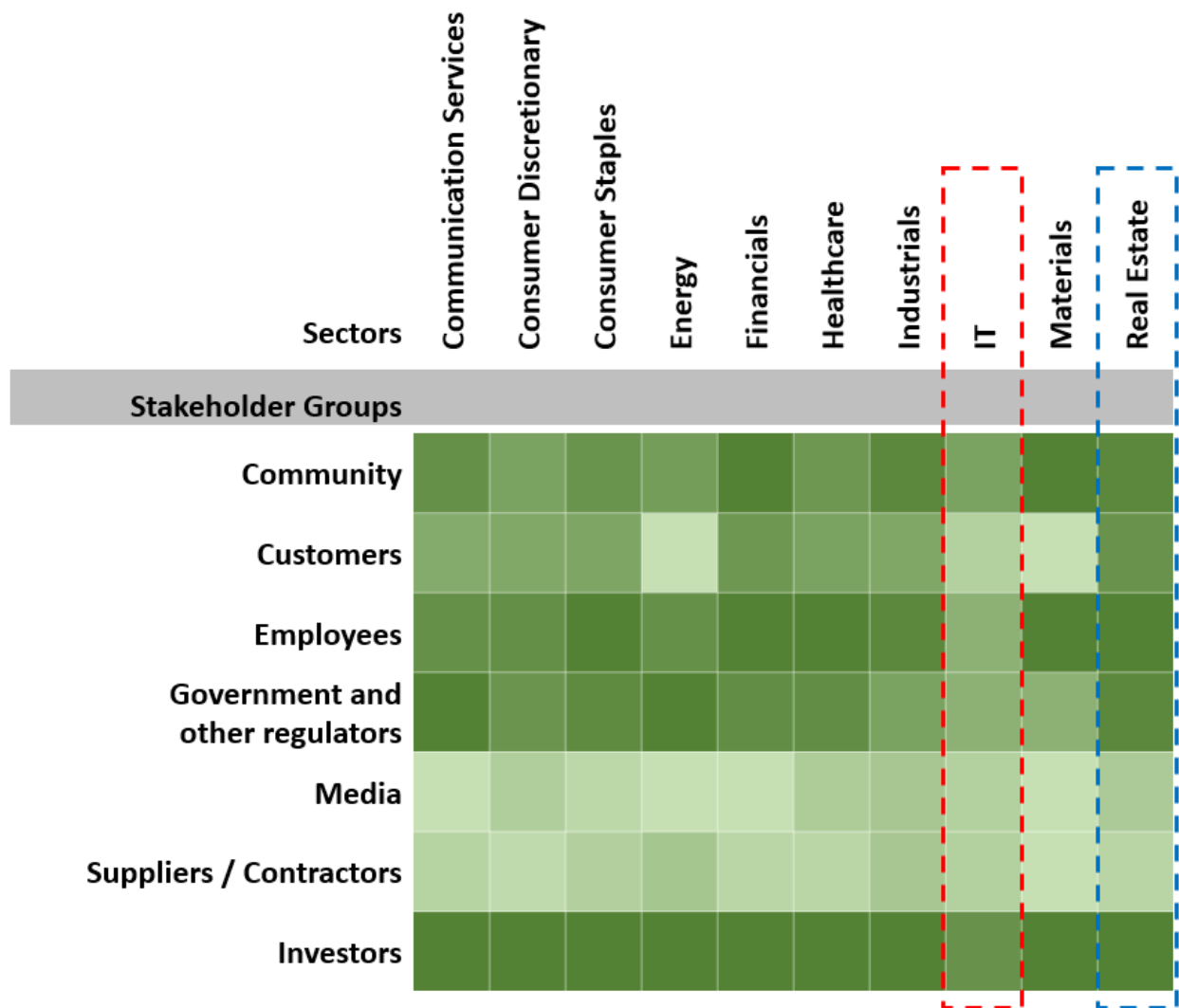


Figure 17 - Heat chart representation of stakeholder engagement

We then constructed a stakeholder engagement map across industry sectors. Notably, a darker shade of **green** indicates a higher level of stakeholder engagement within the industry sector. Conversely, a lighter shade of **green** would indicate a lower level of stakeholder engagement.

From the heatmap, it is evident that **Real Estate** is the most active sector when it comes to stakeholder engagement. Specifically, the Real Estate sector engages with investors, customers, government and other regulators, employees as well as the community. Though the level of engagement with suppliers/contractors is relatively low, this could be due to the industry sector's

nature, which is not particularly reliant on procurement and distribution. Nonetheless, one needs to consider whether the high level of engagement was intrinsically or extrinsically motivated. This is because the government took an intrusive approach by requiring "commercial property owners to unconditionally pass on their property tax rebate in full to their tenants" through the Covid-19 (Temporary Measures) Bill¹³. As such, there is a possibility that the high level of engagement was a by-product of stringent regulation as opposed to rigorous internal practices. We will explore this train of thought further in a subsequent section.

On the other end of the spectrum, we can see that **IT** is the least active sector. Aside from engaging with suppliers/contractors and the media, the sector spends little effort in engaging other groups (investors, customers, government and other regulators, employees and community). This suggests that the sector is rather laidback when it comes to communications and engagement. Admittedly, IT companies have demonstrated counter-cyclical qualities as they seemed to have avoided the economic fallout due to the pandemic¹⁴. This may explain why the IT sector was terse in their updates. Nonetheless, it is regrettable that the sector chose to be discreet instead of transparent in their communications.

¹³ Leong, G. (7 April 2020). *Parliament: Law compelling landlords to pass on property tax rebates to tenants 'doesn't make them worse off', says DPM Heng*. The Straits Times. Retrieved from: <https://www.straitstimes.com/politics/law-compelling-landlords-to-pass-on-property-tax-rebates-to-tenants-doesnt-make-them-worse>

¹⁴ Yip, W.Y. (28 May 2020). *No shortage of vacancies in thriving tech, finance sectors*. The Straits Times. Retrieved from: <https://www.straitstimes.com/singapore/no-shortage-of-vacancies-in-thriving-tech-finance-sectors>

5.4 The Government-Linked Corporations (GLC) Effect

As we investigated SGX-listed companies' practices, one particular group of companies that struck out to us would be Singapore's Government-Linked Companies (GLCs). To take a standardised definition, a GLC would refer to any company in which the Singapore government, through Temasek / other government agencies / another GLC, is the controlling shareholder¹⁵. Specifically, a controlling shareholder is one that possesses more than 15% voting shares in the company (per SGX definition). Included in our definition would be tier 1 GLCs - companies directly owned by Temasek and listed on its website, as well as tier 2 and tier 3 GLCs - companies that have another GLC as a controlling shareholder¹⁶. Based on this definition, there are about 30 GLCs listed on the SGX.

The reason for our interest in GLCs is because we expect GLCs to serve as an exemplary model for Singapore listed companies in terms of its COVID-19 social response. Specifically, we expect GLCs, as a whole, to score better on our framework as compared to non-GLCs.

GLCs in the sample group	
Tier 1 GLC (7 samples)	<ul style="list-style-type: none">● DBS Group● Keppel Corporation Limited● SATS Limited● Sembcorp Industries Limited● Singapore Telecommunications Limited● Singapore Airlines● Singapore Technologies Engineering
Tier 2 or lower (5 samples)	<ul style="list-style-type: none">● Mapletree Commercial Trust● Sembcorp Marine● SIA Engineering Company Limited● Singapore Post Limited● StarHub Ltd

Figure 18 – List of GLCs in the sample group

¹⁵ Mak, Y.T. (2015). *Governance of Government-linked companies in Singapore*. National University of Singapore. Retrieved from: https://law.nus.edu.sg/ewbclb/events/EACG_Dialogue_Conference2015/pdfs/mak_gglcs_slides.pdf

¹⁶ Damirez, D.C. and Ling, H.T. (03 July 2003). *Singapore, Inc. Versus the Private Sector. Are Government-Linked Companies Different?* IMF. Retrieved from: <https://www.imf.org/external/pubs/ft/wp/2003/wp03156.pdf>

With 12 out of 30 GLCs in our sample size, we have a significant representation within our study size of 101 to make a comparison.

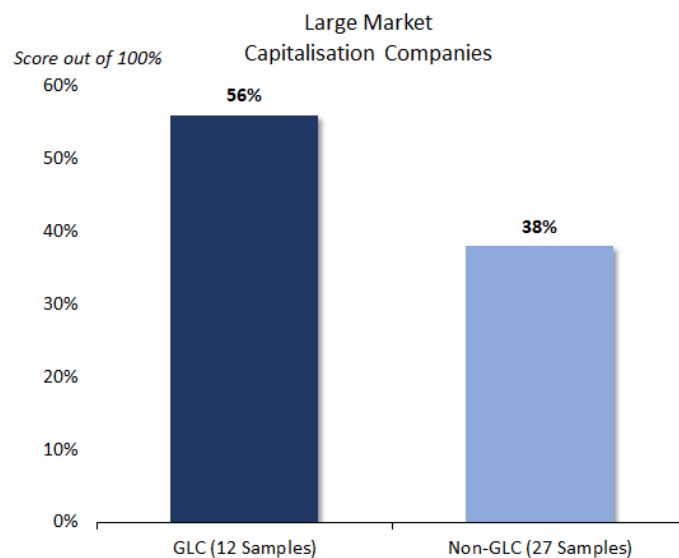


Figure 19 - Performance of GLC against non-GLC

On average, the 12 GLCs in our study scored an average of 11.7 out of 21 total points (56%). Since the GLCs sampled were all in the "Large" market capitalisation group, we looked at the score of all non-GLCs in the "Large" market cap group as well and found that this 27 non-GLCs scored an average of 7.9 out of 21 total points (38%). We can make a general observation that GLCs do indeed perform better in its COVID-19 social response than non-GLCs. However, as our study's sample size is small, we are unable to conclude beyond reasonable statistical doubt that this hypothesis is true.

While most GLCs do indeed have better social sustainability practices, they are not perfect. One company to note in this study is SIA Engineering Company. Its joint venture company with Pratt & Whitney, Eagle Services Asia laid off more than a hundred workers in a retrenchment exercise that was rebuked as 'unfair' by NTUC and other unions. NTUC, AESU, SEEU and SIASU commented that "the lack of transparency and disregard for negotiations with the unions is not acceptable and is not how a retrenchment exercise should be conducted"¹⁷. This is an unexpected incident since the common public opinion is that GLCs are expected to set an example for privately held companies in the industry.

¹⁷ Lam.F. (29 July 2020). *NTUC, unions rebuke 'unfair' layoffs at P&W, SIA Engineering joint venture*. The Business Times. Retrieved from: <https://www.businesstimes.com.sg/companies-markets/ntuc-unions-rebuke-unfair-layoffs-at-pw-sia-engineering-joint-venture>

5.5 Were Social Practices Driven By Government Or Company Proactiveness?

As COVID-19 accelerates the importance of ESG investing, the intensification of social issues like employment and healthcare reinforces the importance of investing in the 'S' pillar¹⁸. A report by FTI Consulting argued the criticality of 'S' during the pandemic, even going so far as to state that "a company's reputation... will be a function of how it engages and manages its stakeholders through this crisis"¹⁹. Given the growing importance of 'S' in ESG, the team seeks to explore the rationale behind the companies' adoption of social practices during COVID-19.

Key Findings

There was a total of 25 broad categories of social practices that the team picked up from the sample.

- 7 out of the 25 social practices were mandated by the government while the rest (18) can be classified as being 'Proactive' (i.e. internally driven by the company itself).
 - Out of the 7 mandated social practices, 'Financial Aid' and 'Temperature Screening' are the top two practices adopted by companies.
- 8 out of the 25 social practices were Technology solutions. Out of the 8, 'Digital Customer Solutions' is the top Technology solution adopted by companies.

Evaluation

Mandatory Social Practices

To ascertain whether these practices were mandated by the government, the team cross-referenced them against statutory websites as well as the prevailing laws and regulations. Through this process, we concluded that the government had introduced extensive regulations that are related to the 'S' pillar. For instance, the Ministry of Manpower's (MOM) exhaustive "Safe Management Measures" list had 25 requirements that detail the actions employers had to

¹⁸ Kell, G. (19 May 2020). *Covid-19 Is Accelerating ESG Investing And Corporate Sustainability Practices*. Forbes. Retrieved from: <https://www.forbes.com/sites/georgkell/2020/05/19/covid-19-is-accelerating-esg-investing-and-corporate-sustainability-practices/#52b7f98626bb>

¹⁹ Neilan et al. (28 June 2020). *Time to Rethink the S in ESG*. Harvard Law School Forum on Corporate Governance. Harvard Law. Retrieved from: <https://corpgov.law.harvard.edu/2020/06/28/time-to-rethink-the-s-in-esg/>

abide by²⁰. In addition to the measures to protect employees' physical health, various financial support schemes were mandated by the Ministry of Finance and the Monetary Authority of Singapore. Nonetheless, despite the government's comprehensive regulations to safeguard the 'S' pillar, the team only identified 7 out of the 25 social practices that were mandated by law. Out of the 7 practices, 6 were requirements found under the "Safe Management Measures" stipulated by MOM.

Separately, 10 out of the 100 sampled companies disclosed that they have "Temperature Screening" systems (Section 17 of Safe Management Measures) in place. The COVID-19 Temporary Measures Bill, which imposed property owners to pass on their full amount of property tax rebates to tenants²¹, saw the majority of Real Estate players logging a disclosure.

Proactive Social Practices

Interestingly, most social practices adopted by the sampled companies were not mandated by law, but rather from proactivity. The team noted 18 proactive practices that sampled companies adopted, of which a significant number are Technology solutions. The proactiveness elucidates the companies' sense of preparedness and visionary outlook. It also suggests that companies were willing to spend extra resources amidst the uncertainty to better face the future.

According to McKinsey's report, the pandemic would play a catalytic role in propelling the world "five years forward in consumer and business digital adoption"²². McKinsey's finding was evident in the team's sample, where it revealed that 8 out of the 25 social practices were Technology solutions. The team also came across several innovative solutions, e.g. disinfectant robots, virtual wellness programs, and online learning for employees. While these technology solutions were implemented amidst the pandemic, they are visionary as they can still be adopted in the post-pandemic world.

²⁰ Ministry of Manpower. (1 June 2020). *Requirements for Safe Management Measures at the workplace*. MOM. Retrieved from: <https://www.mom.gov.sg/covid-19/requirements-for-safe-management-measures>

²¹ Ministry of Finance. (2 April 2020). *COVID-19 Relief Measures: Upcoming Legislative Provisions To Impose Obligation on Property Owners To Pass On The Property Tax Rebate In Full To Tenants*. MOF. Retrieved from: <https://www.mof.gov.sg/newsroom/press-releases/covid-19-relief-measures-upcoming-legislative-provisions-to-impose-obligation-on-property-owners-to-pass-on-the-property-tax-rebate-in-full-to-tenants>

²² Baig et al. (14 May 2020). *The COVID-19 recovery will be digital: A plan for the first 90 days*. McKinsey. Retrieved from: <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days#>

6. Case Studies

In this section, we aim to complement the breadth of our analysis with depth. To do this, we will perform a deep dive into three sectors that we perceived to be salient during this period. The sectors and representing companies that we selected include:







Selected Industries and Companies		
Sector	Reasons for Selecting Sector	Representing Company
1  Consumer Discretionary – Tourism	<ul style="list-style-type: none"> □ Tourism sector one of the hardest hit sectors due to the travel restrictions □ Singapore's overall economy depends heavily on the tourism sector □ Important to understand the best practices of tourism companies 	
2  Information Technology – Manufacturing	<ul style="list-style-type: none"> □ IT Manufacturing sector another crucial cog in Singapore's growth and development □ Crucial to understand how companies adapted to ensure wellbeing of stakeholders amidst the pandemic 	
3  Real Estate – Specialised Accommodation	<ul style="list-style-type: none"> □ Spike in COVID-19 cases amongst foreign workers in dormitories thrusting this sector into the limelight □ Insights gleaned from assessment of affected companies can help others be better prepared 	

Figure 20 - Selected companies for case studies



Sector Background

Singapore's tourism sector has been heavily affected by the COVID-19 pandemic. Inbound international visitors to Singapore has declined by 200 times in August 2020. Singapore's tourism industry is a key multiplier for other sectors including the retail and F&B sector. A negative impact to the tourism sector will incur negative spill-over effects to these affiliated sectors. As the pandemic is still ravaging countries globally, it is unlikely that tourism arrivals will recover to pre COVID-19 figures in the near future. The tourism landscape will change drastically with more regulations and protocols for all stakeholders. Given the systemic importance to Singapore's economy and exposure to disruption, the tourism sector is an ideal sector to examine further.


Genting Holdings

Company Overview

- Listed on Mainboard of SGX in 2005
- Genting Singapore is best known for Resorts World Sentosa (RSW) – one of the largest fully integrated resorts in South East Asia
- In 2019, Genting Singapore had over 9,400 employees where 7 in 10 were either Singapore citizens or Permanent Residents





Effects of COVID-19




Closure of Facilities

- All gaming facilities closed from early April due to the Circuit Breaker
- Hotel bookings cancelled and refunded



Losing Money and Burning Cash

- Reported a loss of S\$163.3mn for Q2 FY2020 – its worst quarterly showing
- Burning cash rapidly in a near-zero revenue environment




Staff Layoff and Wage Reduction

- Laid off staff with as many as 2,000 employees laid off
- Reduction of basic salary on group-wide basis

Good Practices

✓ **Outperformed** the Consumer Discretionary sector average of 6.33 – AEM scored **9** out of 21 points




**High Level of Preparedness
Pre-pandemic and During the Pandemic**

✓ Disclosed plethora of precautionary measures in place in response to different scenarios

✓ Implemented comprehensive pandemic response plan aligned with MOH

✓ Detailed list of SOPs to safeguard the health and safety of its stakeholders

✓ Set itself apart from peers such as Mandarin Oriental which had little mention on their pandemic response plan



Excellent Communications during the Pandemic

✓ Offered transparent and timely updates to their stakeholders

Timeline of Updates:

- 17 March 2020**
 - Released a business update to acknowledging impact of pandemic
 - Effectuated a reduction in executive pay and director fees
- 4 April 2020**
 - Published media statement where the company will suspend guest offerings in line with the Circuit Breaker
- 6 April 2020**
 - Announced that they will refund guests who have made reservations

Areas of Improvement

Poor Treatment of Existing Employees

 **Firing of Employees**

- On 15 July 2020, Genting implemented a one-off workforce rationalization exercise – where 2,000 employees were laid off
- Equates to one-fifth of total labor force

Criticism and Poor Public Reaction

✗

Empty Promises

- Genting had announced in April that jobs of all existing employees will not be affected, and they will stay employed

✗

Poor Management of Downsizing Exercise

- Employees regard the downsizing exercise as abrupt and harsh
- Terminated employees were disappointed by the management of the layoff exercise



Sector Background

The IT sector has managed to stay resilient amidst the past months of uncertainty. In 1Q 2020, the Singapore economy contracted 0.7% on a Y-o-Y basis, but the Information and Communications sector managed to grow at 3.5% which is one of the highest rates in the services industry. Furthermore, there was resilient demand for IT and digital solutions as the government sought to support business recovery from the pandemic by providing companies with digital solutions. The growth of the sector was buoyed by the fact that GovTech pledging to spend S\$3.5bn and increase companies' access to digital products.

AEM Holdings Limited

Company Overview

Listed on Mainboard of SGX in 2000
Global leader in offering specific intelligent system test and advanced manufacturing solutions for semiconductor and electronics companies in the 5G and Artificial Intelligence market
Boasts 6 R&D centres and 8 manufacturing plants in Singapore



Effects of COVID-19

- Share Price Spike**
Share prices surge more than 50% in 2020 despite poor market conditions
- Continued Operations**
Managed to continue operating during lockdowns in SG and MY
Minimal impact to operations
- Profit Surge**
Unfazed by ongoing pandemic with a 2-fold increase in net profit to S\$55.3mn in 1H2020

Good Practices

Outperformed the IT sector average of 5 – AEM scored 12 out of 21 points

Swift Implementation of Business Continuity Plans

- ✓ Took proactive measures to protect workers ahead of Circuit Breaker
- ✓ Activated key business continuity plans and ensured compliances with government agencies
- ✓ Considered essential services – Allowed to continue operations during Circuit Breaker
- ✓ Adopted leaner workforce and staggered shifts to ensure safe distancing

Safeguarding Health and Well-being of Employees

- ✓ AEM the only company to develop and circulate a comprehensive COVID-19 handbook to its employees
- ✓ Enforced mandatory guidelines for employees including restriction of employees & contractor physical movement, WFH provisions and daily audits of employees for compliance

Areas of Improvement

Area of Improvement – Adopt Better Communications to Existing Employees

- ✗ Despite the company performing very well in terms of financials and share price, AEM did not provide any form of guarantee to its existing employees publicly
- ✓ AEM should have taken additional steps to provide appropriate disclosures to help reduce any uncertainty for existing employees

Sector Background

On 20 April 2020, Singapore reported a record 1,426 COVID-19 cases, of which 1,397 (or 98%) of them were dormitory residents¹. The dormitory residents comprised mainly of migrant labourers from Bangladesh, India and China, who took up lower-end jobs in the construction, marine shipyard and process sectors². Under the Foreign Employee Dormitories Act, dormitory operators are subjected to a regulatory framework that governs the provision of facilities and amenities to residents of foreign employee dormitories³. These operators also play an integral role in the physical and psychological well-being of the 720,800 migrant workers in Singapore as their services seek to provide decent and adequate accommodation.

Centurion Corporation Limited

Company Overview

- Listed on the Mainboard of SGX in 1984
- One of the leading workers accommodation providers in Singapore and Malaysia
- Owns and manages 5 purpose-built workers accommodation properties under the Westlite brand with a total capacity of 28,000 beds



Effect of COVID-19 on Centurion

- Contributor of COVID-19 Cases**
 - Centurion's dormitories were gazetted as isolation areas due to a high number of infections within residents
- Fall in Share Price**
 - Centurion's share price tanked after the negative news about its dormitories and huge number of infected residents
 - Cumulative abnormal return analysis showed that Centurion underperformed the STI by 3.4%
- Negative Publicity**
 - The poor living conditions for the foreign workers were brought to the public's attention – Company criticized as overly profit-driven without caring for its residents' well-being

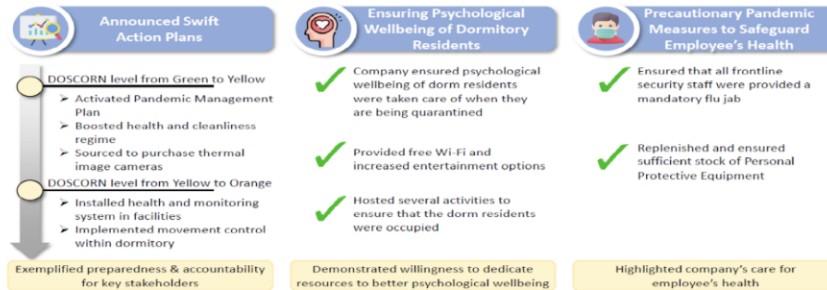
¹ Ministry of Health (2020). COVID-19 Situation Report. MOH. Retrieved from: <https://coronavirus.moh.gov.sg/>

² Lim, M.Z. (27 May 2020). Coronavirus: Migrant workers important to Singapore economy, say business and trade groups in response to calls to limit numbers. The Straits Times. Retrieved from: <https://www.straitstimes.com/singapore/business-and-trade-groups-underscore-importance-of-migrant-workers-to-singapore-economy>

³ Singapore Statutes Online. (2015). Foreign Employee Dormitories Act 2015. S50. Retrieved from: <https://www.ssg.gov.sg/Act/FEDA2015>

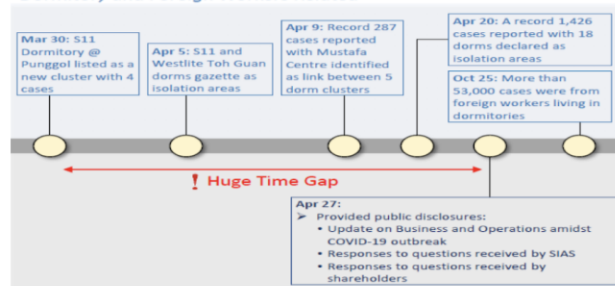
Good Practices

✓ **Outperformed** the Real Estate sector average of 8.2 – Centurion scored **11** out of 21 points



Areas of Improvement

Timeline of Events in Singapore – Dormitory and Foreign Workers Related



Timeline of Centurion's Disclosures

Slow in Providing Public Disclosures

- ✗ Prior to 27 April 2020, there were many significant events that affected Centurion's business operations
- ✗ Centurion had initially implemented action plans earlier in their dormitories but did not publicly disclose them until 27 April 2020
 - Disclosing plans in a timely manner is important during such periods of uncertainty
 - Will provide greater assurance and accountability towards external stakeholders
- ✗ Centurion was also slow in addressing the public criticism on the poor living conditions in their dorms

Centurion could have been more proactive in publicly disclosing key business updates

7. Recommended Practices

7.1 Good Practices

According to a report by McKinsey, the pandemic would play a catalytic role in propelling the world “five years forward in consumer and business digital adoption”¹. McKinsey’s finding was evident in the team’s sample where it revealed that 8 out of the 25 social practices were Technology solutions. In addition, the team came across several innovative solutions e.g., disinfectant robots, virtual wellness programs and online learning for employees. While these technology solutions were implemented amidst the pandemic, they are visionary in nature as they can still be adopted in the post-pandemic world.

In this section, the team will discuss three “Social” practices sieved from the sampled companies that were deemed as good practices. The team identified a “Good Practice” as one that had the following qualities:

- The “Good Practice” is one that is innovative and disrupts current traditional operations e.g., Utilizes technology.
- The “Good Practice” can be applied to various industries.
- The “Good Practice” has direct positive externalities that can be enjoyed by more than 1 group of stakeholders.
- The “Good Practice” can be practiced in the post-pandemic environment.

Criteria Good Practice	Technology-Driven Disinfecting Solutions	Digital Bots	Health & Monitoring Systems
It is innovative and disrupts current traditional operations	<ul style="list-style-type: none"> ➤ E.g., Utilizes UV-C rays emitted by lamp module to disinfect environment ➤ UV Robots guided by light and ranging sensors 	<ul style="list-style-type: none"> ➤ Software bots that imitate human actions to perform high volume and repetitive tasks ➤ Automate routine processes 	<ul style="list-style-type: none"> ➤ Monitoring the health and safety of stakeholders through contact sensors and video-monitoring systems
It can be applied to various industries	<ul style="list-style-type: none"> ➤ Operate autonomously without the help of humans 	<ul style="list-style-type: none"> ➤ Automate essential tasks which creates a digital workforce 	<ul style="list-style-type: none"> ➤ Automate monitoring of new safety policies
It has direct positive externalities that can be enjoyed by more than 1 group of stakeholders.	<ul style="list-style-type: none"> ➤ Can be leveraged across industries as part of indoor cleaning regime 	<ul style="list-style-type: none"> ➤ Can be leveraged across industries to automate repetitive & indispensable tasks 	<ul style="list-style-type: none"> ➤ Can be leveraged across industries ensure health & safety of individuals in a compound
It can be practiced in the post-pandemic environment.	<ul style="list-style-type: none"> ➤ Multiple stakeholders <ul style="list-style-type: none"> • Tenants, Shoppers, Employees etc. 	<ul style="list-style-type: none"> ➤ Multiple stakeholders <ul style="list-style-type: none"> • Employees, Customers 	<ul style="list-style-type: none"> ➤ Multiple stakeholders <ul style="list-style-type: none"> • Employees, Customers
	<ul style="list-style-type: none"> ➤ Enhances overall cleaning standards of venue 	<ul style="list-style-type: none"> ➤ Enhances overall organizational operational effectiveness 	<ul style="list-style-type: none"> ➤ Enhances overall effectiveness in ensuring health of stakeholders

¹ Baig et al. (14 May 2020). *The COVID-19 recovery will be digital: A plan for the first 90 days*. McKinsey. Retrieved from: <https://www.mckinsey.com/business-functions/mckinsey-digital/our-insights/the-covid-19-recovery-will-be-digital-a-plan-for-the-first-90-days#>

7.2 Recommendations for Key Sectors

Based on our sector analysis, we uncovered significant insights which highlighted the lapses in disclosures. In this section, the team seeks to evaluate these insights and highlight the areas of improvement for several key sectors.

	Analysis	Areas of Improvement
Real Estate	<ul style="list-style-type: none"> ➤ Contrast in companies' initiative between external and internal stakeholders ➤ Robust disclosure on external shareholders <p>B05: 17 out of 18 RE companies provided clarity in external communication</p> <p>B15: 15 out of 18 RE companies supported their customers e.g., tenants during this crisis</p> <ul style="list-style-type: none"> ➤ Poor disclosure on internal stakeholder items <p>B01: 1 out of 18 RE companies disclosed the adoption of remote working access</p> <p>B04: 5 out of 18 RE companies provided clarity in internal communication</p>	<ul style="list-style-type: none"> ➤ Recalibration of emphasis between internal and external stakeholders ➤ Important to keep employees updated in communication plans <p><u>Existing practice:</u></p> <ul style="list-style-type: none"> ➤ Singapore Airlines' dedicated employee support portal to address employee feedback
Consumer Staples	<ul style="list-style-type: none"> ➤ Performed well in meeting customers' needs but fell short in areas that jeopardizes business operations <p>B02: 3 out of 11 CS companies disclosed Business Continuity Plans or a Crisis Management Committee</p> <p>B08: 4 out of 11 CS companies disclosed their understanding to government regulations</p>	<ul style="list-style-type: none"> ➤ Highlights importance of a Business Continuity Plan in place to plan ahead and continue operating amidst a potential crisis ➤ Adherence to government regulations reduces risk of business suspension or fines
Industrials	<ul style="list-style-type: none"> ➤ Key Industrial companies had poor financial performances due to bearish business outlook ➤ Hard-hit sectors must reinvent and recalibrate their business model to stay relevant ➤ However, employee training programs were lacking within this hard-hit sector <p>B11: 2 out of 11 Industrials companies pledged to promote training and upskilling during the pandemic</p>	<ul style="list-style-type: none"> ➤ Companies should identify and develop employees' skills that will be core to the recovery business model ➤ Re-skilled workforce will be a key ingredient in assisting the company to recover from the pandemic <p><u>Existing practice:</u></p> <ul style="list-style-type: none"> ➤ Singapore Airlines offer e-Learning resources and regular training programs while staff take no-pay leave

8. The Value of an Enhanced 'Social' Reporting Framework

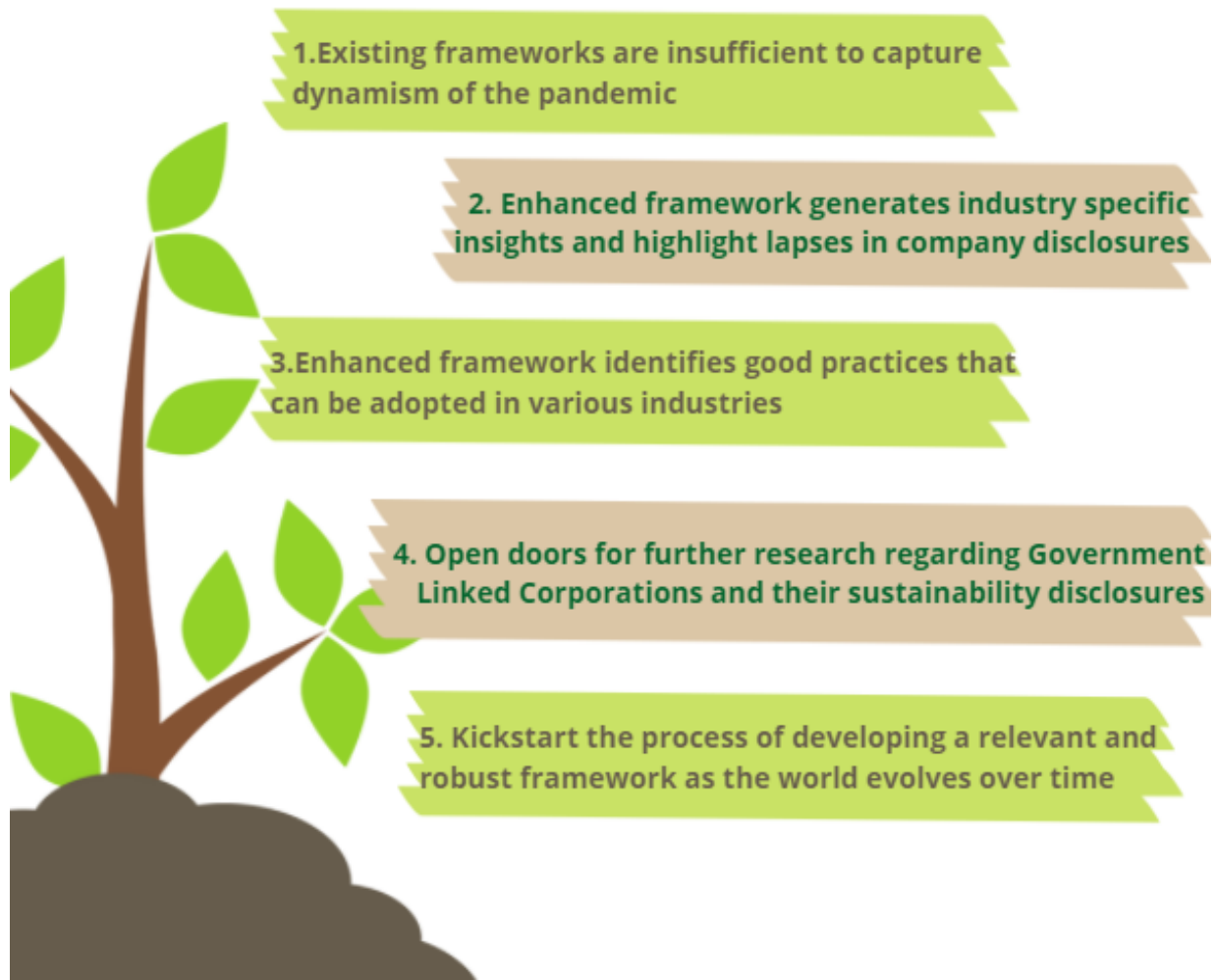


Figure 21 - The value of an enhanced 'social' reporting framework

With an objective to improve the robustness of the 'Social' pillar in ESG reporting, the value of the 15 enhanced standards can be transferred to various stakeholders.

Firstly, the team believes key market regulators such as SGX can unlock the value of the enhanced standards. Given the diversity of companies listed on exchanges, the enhanced standards provide regulators an alternative set of governing lenses that assess companies' preparedness in a pandemic and post-pandemic world. From this assessment, regulators can also gain insights to how companies manage their 'Social' pillar and use these insights to improve regulating guidelines.

Secondly, the merits of the enhanced framework can be unlocked by global consultancies that plan, develop and write sustainability reports for corporations. Consulting companies are already familiar with GRI as an existing framework, and thus our appendant to the GRI framework is easy

for them to adopt. The enhanced framework serves as a basis of recommendation for Good Practices and socially responsible corporate strategies. They can also use our framework to improve on their own existing proprietary checklists.

Lastly, while the enhanced framework seeks to serve as a backbone to the 'Social' pillar in a pandemic, the team believes that this framework is not cast in stone. As the COVID-19 situation continues to evolve, enhancements to this framework are essential. Therefore, by introducing a new framework, the team wishes to spur academics to consider a post-pandemic 'S' pillar in ESG reporting and continue developing a relevant and robust reporting framework.

9. Limitations and Future Research

It is a challenge to pass a normative judgment on companies by delineating them as being either good or poor in performance. This is because what is considered "poor" practices are really just an absence of disclosures. While this suggests poor reporting quality, it does not present itself as a leading indicator on a company's financial or operational performance.

Notably, the team's findings on the GLC effect remains inconclusive due to the small sample size. Nonetheless, the team acknowledges the strong public interest in GLCs and their possible influence on the local business environment. One possible extension to our work would be to conduct further research on sustainability disclosures with regard to GLCs and non-GLCs in Singapore.

10. Conclusion

By proposing an additional 15 standards, the team's revised reporting framework seeks to enhance the quality of sustainability disclosures with regard to a pandemic. By applying our revised framework against a sample of 101 companies, we have identified several gaps in operational readiness as well as potential areas of improvement as companies face for the novel pandemic.

In particular, the Real Estate industry as a whole consistently outperformed other industries in several aspects. This encompasses their overall reporting standard and the quality of their stakeholder engagement. Additionally, it is clear that the size of the market capitalisation is positively correlated to the quality of reporting. Through the evaluation of 'S' practices, a majority of practices are found to be proactive in nature (intrinsically motivated) as opposed to being government mandated (extrinsically motivated). This is a heartening discovery as it illuminates a sense of preparedness and resilience among companies. Separately, the team noted that technology has become a key success factor during COVID-19. In essence, technology now forms the bedrock in which companies can develop good practices for the post-pandemic world.

The COVID-19 pandemic has upended life as we know it. In particular, this vicious pandemic has forced regulators and companies to rethink the 'S' pillar in their ESG practices. Indeed, one should never let a crisis go to waste. COVID-19 can act as a catalyst and beacon that empowers companies to adapt their sustainability practices amidst the pandemic. A robust sustainability reporting framework that encompasses pandemic-related standards can serve as a North Star for companies seeking to regain their foothold in the post-pandemic world.

Acknowledgement

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Centre Staff

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