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UAE firms have a duty towards environment

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GREEN VIEW

In early 2016, Singapore made an announcement that was the cause of lively debates among sustainability professionals globally. The country's exchange (Singapore Exchange, SGX) announced that it would be transitioning towards mandatory sustainability reporting on a "comply or explain" basis for all companies listed on the exchange. This requires all listed companies to either produce a sustainability report or provide detailed reasons for not doing so.

This wasn't the first instance of sustainability reporting becoming a part of national regulation. In 2007, the Swedish government became the first country that required its state-owned companies to publish sustainability reports. In 2008, Denmark's Parliament required all large businesses to include CSR factors in their annual reports. South Africa also mandated the integrated reporting for the publicly listed entities several years ago.

As an introduction for those who may not be aware, a sustainability report is something like a company's annual report. However, instead of just reporting financial numbers, sustainability reports also show the company's social and environmental performance. Publishing a sustainability report increases a company's transparency and therefore the confidence of its stakeholders. At the moment, sustainability reporting is largely voluntary.

Mandatory sustainability reporting has been a debatable topic. The argument in favour of more and mandatory reporting is that the world we live in has a number of issues that challenge our quality of life, ranging from hunger, poverty, climate change, water scarcity, pollution, growing economic disparity and so many more. Because businesses are so powerful (and a contributor to most of these issues) they have a strong responsibility to be an agent of positive change. As a result, while it is important to know how much money businesses are making we also require businesses to be transparent about their sustainability impact, that is how they are managing their waste; how are they treating their employees; and whether they are operating ethically.

That covers the 'why' of sustainability reporting, but does it mean that all companies should be required to publish a document with details on their environmental and social performance? Well, if some companies are voluntarily reporting, why should other non-reporting companies (who may have something to hide) benefit from not being transparent?

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The arguments that counter the positivity of sustainability reporting are also quite valid. First off, most companies abuse the concept of publishing a report. They may run business as usual, but at the end of the day may create a nice-looking, pleasant-sounding and largely inaccurate document that may make them appear as an extremely ethical and responsible entity. Some also argue that mandatory sustainability reporting will be complicated and expensive for most companies, especially SMEs.

Some sustainability professionals also believe that mandatory reporting will lower the bar for quality reporting or make it an irrelevant exercise, because the government will probably select a few key performance indicators that all companies must report on. This will then force companies to report on these rather than talk about issues that are of more importance to their business and key stakeholders.

My summary of these arguments is that while voluntary reporting has had a good run in spreading awareness of corporate sustainability and transparency, the fact is that a majority of companies, big and small, are not doing it.

I believe that the Singapore Exchange's "comply or explain" strategy is a good first step. This will have to be complemented by raising awareness and capacity of the listed companies to ensure quality reporting. Moreover, as we see this requirement being implemented the SGX should be flexible on what incentives and penalties are effective for businesses to regularly and accurately report. The sustainability report template shouldn't be a one-size-fits-all, but rather be dynamic enough to be industry-relevant and variable for companies of different sizes. I am hopeful that with the CSR-focused initiatives being taken by the UAE's Ministry of Economy, we will also see some directions that will encourage more companies, especially the high-impact ones, to be transparent about their sustainability impact.

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