



# SRI IN ASIAN MARKETS:

# SINGAPORE

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### Methodology

This report was produced by research partners in Singapore. Research has been conducted by telephone, face to face interviews, media and internet searches.

### Disclaimer

It has not been possible to interview every relevant organisation or to follow every lead. We have spoken to individuals from a range of organisations in order to give a balanced perspective. This report also reflects PAIA's prior knowledge of environmental and social issues in Singapore, and our previous research into the potential for SRI in Singapore.

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## 1.0 EXECUTIVE SUMMARY

The objective of this report is to assess the potential market for sustainable and responsible investment (SRI) funds in Singapore. This report is one of a series of country reports, looking at the potential for SRI across Southeast Asia. All reports in this series can be accessed via [www.asria.org](http://www.asria.org). Each country report addresses:

- SRI investment
- Private equity & development funds
- SRI research
- SRI related organisations
- Government initiatives
- Public understanding of SRI
- Corporate governance initiatives
- Corporate development & response
- Micro-finance & community investment projects, and
- Assessment of the future market for SRI

The authors conducted a number of interviews and undertook desk research on each of the above issues to gain an understanding of the potential for SRI in Singapore.

Singapore has good potential for SRI with the third highest per capita income level in Asia and its competitive position as an Asian financial hub. Singapore, with a GDP of S\$156 billion, is a wealthy country with a focus on long term saving and investing. S\$102 billion is invested in the government-backed Central Provident Fund (CPF) by its three million members (as of September 2003).

At present, SRI products are available, but the total fund size is small and marketing of these funds has been limited. There is currently a low level of awareness and understanding of SRI funds, especially amongst the public.

Singapore has several social welfare, environmental, and corporate governance groups. The number of these groups is growing, which suggests increased concern about social and environmental issues. As awareness of the principles underlying SRI increases, the market for SRI is likely to grow.

It is concluded that if the appropriate educational and awareness raising measures are taken then there is considerable potential to build a market for SRI funds in Singapore. In Singapore more than in many countries, the government's stance on SRI, the environment, and social issues is a key factor to the potential uptake of SRI.

*SRI funds are small, but the preconditions for growth are evident*

## 2.0 BACKGROUND ON SINGAPORE

Singapore is one of the world's most prosperous countries with strong international trading links, one of the world's busiest ports, and a per capita GDP equal or above that of the leading nations in Western Europe. In 2003, Singapore's per capita GDP was US\$25,200 (source: World Fact Book).

Since independence in 1965, the country's economy has grown extremely rapidly, averaging some 9% over 30 years. The Asian financial crisis of the mid-1990s put a temporary damper on this, but the economy bounced back in 1999 and has been recovering in the early 2000s, although slightly hampered by SARS. This rapid economic development has been accompanied by, and is partly due to, Singapore's stable political environment, strong governmental influence, low levels of corruption, and competitive tax rates.

*Singapore is an influential investor in ASEAN countries*

These same conditions have also helped Singapore develop into Southeast Asia's financial and high-tech hub. It is highly developed and has a high uptake of new technology. For example, Singapore was recently voted the top country in Asia on the adoption of web facilities, such as broadband and wireless internet.

The government now hopes to establish a new growth path that will be less vulnerable to the external business cycle than the past export-led model. The government is looking to decrease its traditionally strong influence, encourage more creativity and entrepreneurial development, and shift away from the traditional "nanny state" role.

In terms of Singapore's natural environment, it is an island, a city, and a country, covering just 42km by 23km. Approximately 50% of the land area is urbanized, with the majority of the population living in high-rise Housing Development Board (HDB) flats. Parkland, reservoirs, plantations, and open military areas occupy approximately 40% of the land area; the remaining forest accounts for only 4%. It is one of the most densely populated countries in the world, with a population of 4 million.

As a small country heavily dependent on world trade, Singapore has a special interest in maintaining wide international contacts. It is a member of the United Nations and several of its specialized and related agencies, and also of the British Commonwealth. Singapore has participated in a number of UN peacekeeping/observer missions and plays an active role in the Association of Southeast Asian Nations (ASEAN) and APEC.

Singapore's stable government, willing workforce, and modern and efficient infrastructure have attracted investments from more than 3,000 multinational corporations (MNCs) from the United States, Japan, and Europe. Foreign firms are found in almost all sectors of the economy. MNCs account for more than two-thirds of manufacturing output and direct export sales.

Singapore is a prosperous, highly developed country with an international focus and is the financial hub of Southeast Asia. Given this, it has many of the preconditions necessary to embrace sustainable and responsible investing (SRI) as a new source of investment funds. It is also in a strong position to keep abreast with international developments in the financial and corporate world towards corporate social responsibility (CSR), sustainability reporting, and SRI. Through its investments in companies throughout Southeast Asia, Singapore has the potential to influence activities in other Southeast Asian countries, several of which face major environmental and ethical issues.

### 3.0 FINANCIAL INSTITUTIONS RESPONSE: SRI INVESTMENT IN SINGAPORE

**S**RI, also known as sustainable and responsible investment, is investment that allows investors to take into account wider concerns, such as social justice, economic development, peace, or a healthy environment, as well as conventional financial considerations.

The most successful SRI funds provide investors with dual returns:

1. Financial returns that compare well to the returns of conventional investments
2. Social and environmental rewards that go beyond the direct financial return to the investor

SRI is therefore a positive economic choice about the way we live and the world we live in.

There are many types of SRI, from financial support to new businesses and community activities, to investment funds trading the shares of companies listed on the world's stock markets, to private portfolio management for individuals and institutions such as pension funds and churches. This report looks at the uptake of all forms of SRI in Singapore, both current and potential future uptake.

At the time of writing, there are only two SRI funds available to investors in Singapore, the UOB's UNIFEM fund and the Aviva Global Socially Responsible Growth fund, plus a few Islamic funds. The UNIFEM fund focuses on women's issues; however, the fund criteria are currently being revised to take into account broader social and environmental issues. The Aviva Fund is an international fund, which has been on offer to investors locally. However, this fund is was closed in Singapore on 19 May 2004.

In 2003, a new fund, the Asia Carbon Fund, was set up in Singapore. The Asia Carbon Fund is designed to invest in projects that reduce greenhouse gas emissions in developing countries (focusing on Southeast Asia).

The following section provides further details of the SRI funds that are currently available in Singapore. It also identifies other global SRI funds that are not registered in Singapore, but managed by asset managers with offices in Singapore.

### 3.1 Domestic SRI Funds

There is only one domestic ethical fund, UOB Asset Management's UNIFEM fund. The Aviva Global Socially Responsible Fund is a global fund, registered for sale in Singapore.

*UOB United Global UNIFEM Fund is a unique fund focusing on women's issues*

**United Overseas Bank Asset Management**      [www.uobam.com.sg](http://www.uobam.com.sg)  
United Global UNIFEM Fund

Fund fact sheet: [203.120.66.69/uobam/fundfact/p\\_globalunifem.pdf](http://203.120.66.69/uobam/fundfact/p_globalunifem.pdf)

The UOB Global UNIFEM Fund aims to invest in companies and activities that empower women. It is one of the few funds worldwide that set investment criteria that screen for companies which are most advantageous for women. Additionally, it donates part of its management fees to secular social projects. A portion of the fund's management fees goes directly to the Singapore chapter of United Nations Development Fund for Women (UNIFEM). The fund itself invests based on a two-part screening process:

1. Companies which are predominantly involved in pornography, military production and sales, alcohol, tobacco, or gambling are eliminated, in accordance with the United Nations Global Compact Initiative.
2. Companies not involved in these industries are then scored according to a number of standards including women in the workplace, health and environmental practices, labor practices, community involvement, and governance issues. The fund then takes a best of class approach, investing in those companies that score in the top 50% of the country or industry.

At the end of the first quarter, 2004, the UNIFEM fund had assets under management of S\$9.60mn.

UOB Asset Management relaunched the fund at the end of May, 2004.

**Asia Carbon**      [www.asiacarbon.com](http://www.asiacarbon.com)

Asia Carbon Pte. Ltd. was set up in October 2003. Asia Carbon is in the process of setting up the Asia Carbon Fund (ACF), which is designed as a vehicle for investors from developed countries to fund projects in developing countries that will reduce greenhouse gas emissions. The fund will be a multi-purpose project finance and carbon financial fund with a focus on "small-scale, medium-scale and large-scale renewable energy and energy efficiency projects." To date, much of the focus has been on assessment of projects in India and China. There are also plans to set up affiliates in Malaysia, Thailand, Indonesia, and the Philippines.

## 3.2 Global SRI Funds Registered for Sale in Singapore

There is only one global SRI fund registered in Singapore.

**Morley Fund Management** [www.morleyfm.com/sri](http://www.morleyfm.com/sri)

Fund fact sheet: [www.morleyfm.com/singaporeretail/index.htm](http://www.morleyfm.com/singaporeretail/index.htm)

The Aviva Global Socially Responsible Growth Fund managed by Morley Fund Management was launched in May 2002 and, unfortunately, partly due to market conditions, interest has been low. However, Morley believes that there will be a market for SRI funds in the future, although they recognise that a broad-based investor education programme will be needed to achieve this.

The Morley process considers three main areas: the assessment of environmental impacts and social trends, company analysis, and positive engagement to encourage improvement in corporate behaviour.

Companies that are identified as meeting the criteria are put forward to the fund managers and assessed for their ability to outperform the broader market. This assessment is based on the financial fundamentals, an assessment of the quality of the management, and the opinions of in-house analysts and SRI researchers. For more information, go to [www.morleyfm.com/sri/sri\\_brochure.pdf](http://www.morleyfm.com/sri/sri_brochure.pdf)

Globally, the fund has assets of US\$13m, of which less than 1% comes from Singapore. Local subscriptions from the launch date until December 2002 totalled S\$62,043.

Unfortunately, this fund closed in Singapore on 19 May 2004.

## 3.3 Islamic Funds

Islamic funds may be regarded as a sub-category of SRI. Islamic funds abide by the Syariah Islamic principles, avoiding investment in industries such as tobacco, alcohol, and gambling.

Islamic funds are a growing market. The Institute of Islamic Banking and Insurance ([www.islamic-banking.com](http://www.islamic-banking.com)) calculates around US\$200 billion of funds globally invest with Islamic principles.

There are two domestic fund providers marketing global funds managed according to Syariah Islamic principles:

**Singapore Unit Trusts** [www.sut.com.sg](http://www.sut.com.sg)  
SUT Global Ethical Fund

Noor Azman of Singapore Unit Trusts (SUT) spoke about Islamic funds during an interview with Smartinvestor ([www.smartinvestor.com.sg/livingconcepts.asp?livconid=1690](http://www.smartinvestor.com.sg/livingconcepts.asp?livconid=1690)) and was keen to point out that Islamic funds are not just for Muslims. However, interest in the SUT Global Ethical Fund from non-Muslims has not been encouraging so far. In times of trouble, Islamic funds cannot turn to defensive stocks, such as tobacco or defense, to bring up the performance of a fund, as many of the traditionally defensive stocks are forbidden under the Syariah rules. This may put off non-Muslims from the funds. However, as markets have diversified, established SRI funds have successfully turned to alternative defensive investments to provide downside protection without compromising these investment principles, so it should not be a barrier.

*Syariah funds-an area  
of potential growth*

### HSBC Insurance

[www.insurance.hsbc.com.sg](http://www.insurance.hsbc.com.sg)

- Takaful Global Fund
- Takaful Sinaran Fund

The HSBC Insurance Takaful Funds started in 1995 under Keppel Insurance, which was taken over by HSBC in 2002. Takaful comes from the Arabic word "kafal", meaning to "take care of one's need" where people agree to be mutually responsible for each other's needs (HSBC, 2003). The Takaful Funds avoid companies with business exposure to alcohol, pork, financial services, tobacco, defence, and the entertainment industry, such as hotels, cinema, and music.

As of Fall 2003, the fund had grown to US\$110 million with a shareholder base largely composed of Islamic investors. However, according to managers of the fund, strong fund performance had attracted some non-Muslim investors and other religiously-oriented investors who were attracted to the fund's commitment to ethical principles.

One interesting element of the fund management involves the question of how to handle interest income to the fund as interest is normally prohibited under strict interpretations of Islamic finance. Under an agreement with the Islamic Advisory Board (IAB), who endorse the Takaful Funds, it is acknowledged that it is not possible to avoid all interest bearing instruments and, therefore, a "purification" system is used whereby 5% of all dividends earned in the fund are deducted and given to charity. The IAB limits the 5% donation to Muslim charities at the moment, but this is likely to become more flexible in the future.

### Development Bank of Singapore

[www.dbs.com](http://www.dbs.com)

Mendaki Capital Protected and Mendaki Global Funds

The two Mendaki funds have an investment focus to invest in securities that are in harmony with Islamic philosophy and law.

Mendaki Global Fund was launched September 1997 and now has a size of S\$3 million, whereas the safer Mendaki Capital Protected fund was launched August 2001 and, as of May 2004, had a fund size S\$6.33 million.

## 3.4 Global SRI Funds Not Registered in Singapore but Managed by Asset Managers with Offices in Singapore

*Access to global SRI funds is generally restricted to sophisticated investors*

As with many countries, there are strict rules in Singapore governing which funds can be registered for the public ("retail") market, and which funds are only available to high net worth individuals ("sophisticated") investors<sup>1</sup>. Sophisticated investors can invest in funds that are not registered in Singapore, so a number of global SRI funds are available to them. However, these funds are not available to the public and cannot be advertised in Singapore. To register a fund can be costly, prohibiting some global SRI funds from registering for the retail market in Singapore (see section 5.2 for details).

Singapore has 92 fund managers, many of whom are international, with experience working in the UK, continental Europe, and Japan, where SRI is more commonplace. Of these 92 fund managers, 6 of them offer SRI products in other countries, but not to the public in Singapore. We contacted these 6 SRI providers to find out more about why their products are not available to the Singaporean public.

<sup>1</sup> Under Section 305 of the Securities and Futures Act (2001), the Monetary Authority of Singapore (MAS) classifies a sophisticated investor as an individual making a minimum investment of S\$200,000 and who has net personal assets of over S\$2 million or income in the last year of not less than S\$300,000.

### 3.4.1 Henderson Global Investors [www.henderson.com/regional\\_singapore/index.asp](http://www.henderson.com/regional_singapore/index.asp)

There are two funds available to "sophisticated" Singapore investors (not the retail market), the Henderson Horizon Fund - Global Sustainable Investments Fund, which manages US\$8,906,659, and the Ethical Fund, which is £55.7m in size.

#### **The Global Sustainable Investments Fund**

Fund fact sheet: [www2.henderson.com/horizon/price\\_and\\_performance/index.asp](http://www2.henderson.com/horizon/price_and_performance/index.asp)

Henderson considers both sustainable development and corporate responsibility when choosing companies for their ethical and sustainable funds. Business sustainability is assessed by classifying companies in various categories, ranging from most sustainable 'Industries of the Future' to the 'Extreme' category for companies with unacceptable social, health, and environmental costs.

#### **The Ethical Fund**

Fund fact sheet: [www2.henderson.com/sri/products\\_and\\_services/ethical\\_fund\\_facts.asp](http://www2.henderson.com/sri/products_and_services/ethical_fund_facts.asp)

Henderson's Ethical Fund avoids companies involved in alcohol, animal testing, armaments, automotives, chemicals, forestry, gambling, genetic engineering, greenhouse gas emissions, intensive farming, meat and dairy, nuclear power, pornography, road building, and tobacco.

For more information on the screening processes used, go to the following links:  
[www2.henderson.com/global\\_includes/pdf/sri/SRI\\_Handbook\\_July\\_2002.pdf](http://www2.henderson.com/global_includes/pdf/sri/SRI_Handbook_July_2002.pdf)  
[www2.henderson.com/global\\_includes/pdf/sri/ethical\\_fund\\_criteria.pdf](http://www2.henderson.com/global_includes/pdf/sri/ethical_fund_criteria.pdf)

In addition to these two global SRI funds, Henderson did also have an Asian SRI fund. This fund, although it had staff in Singapore to research potential companies in the region to invest in the fund, was also not available to the retail market in Singapore. This fund has recently been wound up due to lack of interest.

In 2002, Henderson Global Investors held a seminar on SRI, which was attended by around 200 people and helped raise awareness about SRI.

### 3.4.2 ABN AMRO Asset Management - Socially Responsible Equity Fund

ABN AMRO's euro-denominated SRI Equity Fund was launched 19 November 2001 and has EUR5.5 million under management as of January 2004 (ABN AMRO website). The fund is available in 19 countries, all of which are within Europe, except for Hong Kong (ABN AMRO website).

The Socially Responsible Equity Fund has similar criteria to ABN AMRO's Sustainable World Fund, which was launched on 1 May 2000. It looks for companies which can demonstrate the adoption of proper environmental and social policies, have open communication regarding activities, including how environmental issues are taken into account when developing new products, and the extent to which employees are given flexibility and career prospects (ABN AMRO website).

Exclusions include nuclear energy, pornography, tobacco, fur, arms, and gambling. Careful assessment is made in order to establish whether companies are involved in child labour or other human rights violations, unnecessary animal testing, or operating in regions where there is a repressive regime (ABN AMRO website).

According to an ABN AMRO Singapore spokesman, they are currently in the process of offering more ABN AMRO funds to customers in Singapore, one of which could be the SRI Equity Fund, especially as it is currently available in Hong Kong. This evaluation process should be complete by the end of 2004.

### 3.4.3 UBS AG - Eco Performance Fund

UBS set up an equity fund called the Eco Performance Fund in June 1997, which is a global SRI fund registered in Luxembourg (UBS Investment Funds brochure, 2003). The fund has been launched in Japan (Eco-Japan Fund), Taiwan, and Hong Kong, but not in Singapore. Its absence from the Singapore market is largely because UBS is not at present in the Singapore retail market.

The Fund excludes tobacco, gambling, nuclear energy, genetic engineering, and armaments companies for social reasons. It takes a best in class approach to the environment, investing around 70% in companies with the best environmental and social performance in their sector, rather than excluding specific sectors based on environmental damage. UBS also invests in smaller companies that are involved in environmentally-relevant products and services.

This Luxembourg-domiciled fund has assets of CHF 266.28 million (EUR 169.62m) as of the end of April 2004 (UBS website).

### 3.4.4 Dexia - Sustainable Growth Fund

Dexia is one of the leading SRI providers in Europe, with 18 open SRI funds and EUR 1.25 billion (S\$2.6bn) assets under management.

The Dexia Sustainable Growth funds are not available in Asia at all. However, a recent partnership with Australian bank Ausbil (the "bil" part of the name coming from Bank International of Luxembourg), a small boutique bank, has led to Dexia's sustainable funds being available in Australia. During the interview, Dexia said that the reason they do not offer their SRI funds in Singapore is because they have closed their asset management arm here, as there has not been enough interest.

### 3.4.5 Nikko Asset Management - Nikko Eco Fund And Global Sustainability Fund

Nikko Asset Management has SRI funds in Japan. According to a representative of Nikko Global Asset Management in Singapore, the funds are not available for retail sale in Singapore due to lack of demand, but they will be available to the sophisticated market.

The Nikko Eco Fund was launched in 1999 and, as such, was the first SRI fund in Japan. The Eco Fund also won the Good Design Award 2001, sponsored by Nihon Sangyo Design Promotion Society. It is an open-ended investment trust fund that has pursued capital gains through investing specifically in stocks of:

1. companies whose environmental activities are superior and whose growth can be expected;
2. companies who conduct businesses related to environmental issues and whose growth can be expected (Nikko AM website - [www.nikko.co.jp/GRP/news\\_e/2001/p\\_0110011e.html](http://www.nikko.co.jp/GRP/news_e/2001/p_0110011e.html)).

The Global Sustainability Fund followed in 2000 and invests in companies that show due concern for the environment, as well as economic and social responsibility.

Since 2000, a portion of the returns from the two SRI funds has been invested into the WWF Nikko Green Investors Fund; in 2002, ¥31.5 million was invested into the WWF fund. ([www.nikko.co.jp/GRP/group\\_e/features\\_e/environment/environment.html](http://www.nikko.co.jp/GRP/group_e/features_e/environment/environment.html))

### 3.4.6 Daiwa SB Investments Ltd - Global Eco Growth Fund (Mrs. Green)

Daiwa SB Investments has SRI funds available in Japan, but not to the Singapore retail market.

The main features of the Mrs.Green fund are as follows:

- The fund buys shares in companies around the world with strong growth potential and comparatively good environmental performance (indirect environmental companies), and in companies providing excellent environmental services or in possession of advanced environmental technologies (direct environmental companies).
- Utilizing the financial know-how of T. Rowe Price Global Asset Management Limited
- Offering two investment programs (funds) within the fund (Fund A includes an exchange rate hedge)

*Daiwa's Mrs.Green (A+B) fund has total assets of ¥5.012 billion (as of 2004/04/02)*

As none of the above funds are registered in Singapore, it is not possible for them to be actively marketed in Singapore, either to the public or otherwise. One of the most common reasons quoted for these funds not being available to the Singapore market is a lack of interest from investors.

## 3.5 Private Equity and Development Funds

SRI principles can also be used to establish a management style for private equity and development funds.

Unlike some of the other Southeast Asian countries covered in this series, given Singapore's relatively high standard of living, there has been limited, if any, need for development funds to invest in the community. Environmental/social projects in Singapore are mostly funded by the government or banks.

Singapore is potentially a financial centre for private equity (PE) invested elsewhere in Southeast Asia and has participated in funding development schemes for developing countries in the area. Note the following examples of development schemes applying SRI principles funded by Singaporean companies and the government:

### 3.5.1 Asian Development Bank [www.adb.com](http://www.adb.com)

Singapore has contributed US\$3.89mn to the Asian Development Fund and US\$1.10mn to ADB's Technical Assistance Special Fund.

Singapore has also co-financed development projects in China and Thailand, and financed procurement contracts (goods and related services and civil works) totaling US\$1.4bn (cumulative as of 31/12/2002).

Singapore consultants have also been involved in 3,696 contracts for ADB loan projects worth US\$2.03bn.

Most recently ADB has established a private equity fund for China and Southeast Asian emerging markets. UOB is the manager for the fund, which has certain SRI objectives.

### 3.5.2 International Finance Corporation [www.ifc.org](http://www.ifc.org)

IFC is the private sector arm of the World Bank and aims to promote private sector investment in developing countries. A new IFC office has opened in Singapore. Since 1964, 42 Singapore firms have provided US\$232mn in direct loans and equity financing for 40 IFC projects in 19 countries.

### 3.5.3 Singapore Co-operation Programme (SCP)

[www.mfa.gov.sg/scp/](http://www.mfa.gov.sg/scp/)

SCP aims to help developing countries and runs the following schemes:

1. The Singapore Technical Assistance Programme for Sustainable Development, for environmental management
2. The Third Country Training Programme for training in waste management, pollution, etc.
3. The Small Island Developing States Technical Co-operation Programme for providing training to 300 government officials from the small island developing states

Singapore has signed Memoranda of Understanding (MOU) and agreements with countries such as Germany, Australia, and Vietnam to foster closer co-operation in the transfer of environmental technology to the region and provide technical assistance to developing countries.

### 3.5.4 Asian Conservation Company (ACC)

[www.asianconserve.com](http://www.asianconserve.com)

*ACC focuses on companies with positive environmental strategies*

ACC's strategy is premised on the view that "by investing in environmentally sensitive companies you can not only provide an acceptable financial return to the investors, but you can also provide gainful employment and education that will create a willingness among the local community to protect the natural resources in the area." It is also its intention to channel some of the returns back into actively funding conservation programs in the areas in which the portfolio companies operate. Two key partners include Next Century Partners, who have an office in Singapore ([www.nextpartners.com](http://www.nextpartners.com)), and the World Wide Fund (Philippines). Next Century Partners is partly funded by Singapore-based GK Holdings ([www.gkgoh.com.sg](http://www.gkgoh.com.sg)).

#### **Current projects:**

Ten Knots Group, who own and operate the El Nido Resorts in Palawan, South Philippines - the ACC partnership will ensure that the resort development enhances the environment and supports biodiversity conservation.

Stellar Fisheries, 2nd largest producer of canned blue crabmeat - is currently working for certification by ISO and the Marine Stewardship Council.

## 4.0 SRI RESEARCH IN SINGAPORE

Given the low level of SRI in Singapore at present, there is currently limited SRI research in Singapore itself. We are aware of only one company that has undertaken SRI research. There are a number of companies and organisations involved in SRI-related issues, such as environmental reporting and CSR work. These organisations are detailed in Section 4.

### 4.1 Domestic SRI Company Research

#### **PAIA Consulting**

[www.paiiconsulting.com](http://www.paiiconsulting.com)

PAIA has been researching the status of SRI in Singapore and has published a number of articles relating to SRI. PAIA has the relevant skill sets to research companies according to a range of SRI criteria.

We are not aware of any other companies researching SRI in Singapore. There are groups in the region that may cover Singapore as part of their regional research.

## 4.2 International SRI Research Groups Covering the Domestic Market

Internationally there are many companies that conduct research according to SRI principles, but research into Asian companies is still limited. The ASRIA website<sup>2</sup> gives details about SRI research companies which cover Singapore companies for their clients:

*A broad range of Singapore companies are now covered by SRI research providers*

- EIRIS covers 43 Singapore companies ([www.eiris.org](http://www.eiris.org))
- Sustainable Asset Management covers 14 Singapore companies ([www.sam-group.com](http://www.sam-group.com))
- Stock at Stake covers 14 companies in Hong Kong and Singapore ([www.stockatstake.com](http://www.stockatstake.com))
- Innovest covers 3 Singapore companies ([www.innovestgroup.com](http://www.innovestgroup.com))

The following is a list of companies that have been researched by the above organizations. Please note, this does not necessarily mean these companies are included in SRI portfolios, simply that an SRI assessment of them has been made.

**Table 1: Singapore companies researched by International SRI research providers**

AllGreen Properties	Oversea-Chinese Banking
Capitaland	Overseas Union Enterprise
Chartered Semiconductor	Pacific Century Regional Developments
City Developments	Parkway Holdings
Creative Technology	SembCorp Industries, Logistics, Marine
Cycle and Carriage	Singapore Airlines
Datacraft Asia	Singapore Exchange
DBS Group	Singapore Land
DelGro	Singapore Press Holdings
Elec& Eltek International	Singapore Technologies Engineering
First Capital Corporation	Singapore Telecom
Fraser and Neave	SMRT Corporation
GES International	ST Assembly Test Services
Great Eastern Holdings Ltd	Straits Trading Company
Haw Par Corporation	United Industrial
Hotel Properties	United Overseas Bank
Keppel Corporation	Venture Manufacturing (Singapore)
Keppel Land	Want Want Holdings
Marco Polo Developments	WBL
NatSteel	Wing Tai Holdings
Neptune Orient Lines	

<sup>2</sup> [www.asria.org/sri/asia/research?expand\\_all=1](http://www.asria.org/sri/asia/research?expand_all=1)

#### 4.2.1 Global SRI Funds With Significant Holdings In The Domestic Market

Given the range of Singapore companies that are covered by SRI research organizations, we would expect that some of these names are reflected in global SRI portfolios, but we do not know the extent to which global SRI funds have holdings in Singapore-based companies. It is also noteworthy that two Singapore companies, City Developments and Singapore Air, were constituents of the FTSE4Good Global Index as of May 2004, making them attractive for global SRI funds.

## 5.0 SRI RELATED ORGANISATIONS

**S**RI principles tend to be reinforced through NGOs and not-for-profit organisations. As such, the potential for SRI can be measured by the role and growth of related organisations that support the principles underlying SRI.

International NGOs do not have a significant presence in Singapore. For example, there is no Singapore office for Greenpeace, Friends of the Earth or the Worldwide Fund for Nature. However, there are an increasing number of local non-government and non-profit organisations appearing, many of which promote environmental and social issues. Many of these are strongly influenced by, or under the control of, the government, but there are also a number of totally independent organisations with their own agendas.

Below is a summary of some of the key SRI-related organizations in Singapore:

#### 5.0.1 Association Of Chartered Certified Accountants [singapore.accaglobal.com](http://singapore.accaglobal.com)

ACCA has a long and proud history in Singapore and traces its origins back to 1936.

ACCA launched the Singapore Environmental Reporting Award in 2002 and also continues to provide training courses on environmental reporting. More information on this can be found in section 8.4.

ACCA has conducted surveys on corporate governance (see section 1.10). ACCA's primary mission is to increase corporate transparency.

#### 5.0.2 Centre For Corporate Social Responsibility [www.centreforcsr.org.sg](http://www.centreforcsr.org.sg)

The Centre for CSR was set up in April 2003 by former consumer rights veteran and activist Stephen Loke, formerly from the Consumers Association of Singapore. The organisation is run by volunteers and works to promote responsible behaviour within the community and at the corporate level.

Activities include talks, seminars, forums, and publications on best practices in CSR, benchmark and standard development activities, active engagement of trade and professional associations to advocate CSR practices among their members, and facilitation of on-going dialogue with members and stakeholders on emerging CSR issues (Centre for CSR website).

The Centre for CSR is holding their first Asia Pacific Conference in July 2004, initiating and launching a 10-member Asia Pacific CSR Group, and also developing a CSR index in Singapore with various stakeholders.

#### 5.0.3 Asia Carbon [www.asiacarbon.com](http://www.asiacarbon.com)

Not strictly an NGO, Asia Carbon is aiming to promote environmentally-friendly and sustainable projects that reduce greenhouse gas emissions in Asia.

Asia Carbon is running a carbon exchange programme and also assisting companies from developed countries wishing to work with developing countries through the flexibility mechanisms of the Kyoto Protocol, the Clean Development Mechanism, and Joint Implementation.

More information on the Asia Carbon Fund can be found in section 2.2.

*A strong base of local groups with an emerging SRI orientation*

#### 5.0.4 Singapore Business Charter For Sustainable Development

During Clean and Green Week in 1994, The Federation of Chambers of Commerce and Industry launched the Singapore Business Charter for Sustainable Development, otherwise known as the Green Pledge. The pledge was sent to Singapore businesses; 1,000 of around 5,000 companies signed the pledge, agreeing to do their bit for the environment. Unfortunately, there does not seem to have been any follow up after the signing of the pledge, perhaps due to the reorganisation of the groups involved.

#### 5.0.5 Singapore Environment Council [www.sec.org.sg/](http://www.sec.org.sg/)

SEC's aim is to raise awareness of environmental issues. They run various schemes such as Green Transport Day, Fuel Economy Labels, Energy Labels, and Green Labels for household products. They have a volunteer group called the Green Volunteers Network, who run Clean & Green Week every November, carry out guided walks of nature areas, run recycling and water saving programmes, and run the Clean Up the World project. They also run annual Environmental Achievement Awards (see section 4.3).

SEC runs the Green Partnership Programme, which is a donation programme for corporations (although individuals can also participate). In return, companies have their logos displayed on SEC letter-heads, etc. It is restricted to just one company per industry sector. The donations go towards environmental projects as described above. The main sponsors are Shell and City Developments Ltd. The Government provides 30% of SEC's funding.

#### 5.0.6 Singapore Confederation Of Industries - Environmental Committee [www.sci.org/sci](http://www.sci.org/sci)

The Environmental Committee of the Singapore Confederation of Industries aims to promote sustainable development and environmentally-friendly business policies, partly through seminars and workshops on ISO 14001 and business and environmental law.

#### 5.0.7 Youth Environmental Network [www.yen-sg.org](http://www.yen-sg.org)

The Youth Environmental Network works on resource conservation, nature, and sustainable development with members between the ages of 18 and 25.

#### 5.0.8 Nature Society (Singapore) [www.nss.org.sg](http://www.nss.org.sg)

The Nature Society (Singapore) or NSS is an organisation dedicated to the appreciation, conservation, study, and enjoyment of the natural heritage of Singapore, Malaysia, and the surrounding region.

The society is run by volunteers and depends financially on contributions from its members, as well as companies, institutions, and individuals. NSS often provides guidance to developers and the government to minimise the impacts of development on biodiversity.

#### 5.0.9 Singapore Kindness Movement (SKM) [www.singaporekindness.org.sg](http://www.singaporekindness.org.sg)

SKM came about following the 1996 New Year speech by Prime Minister Goh Chok Tong. The Prime Minister explained that Singapore not only needs to concentrate on developing its economy, but also work on personal development and social behaviour. In line with the Prime Minister's call to build a gracious society, the Singapore Kindness Movement (SKM) aims to encourage Singaporeans to make a positive commitment to gracious living through simple acts of kindness in their daily activities.

#### 5.010 Community Chest/ National Council Of Social Service [www.comchest.org.sg](http://www.comchest.org.sg)

The Community Chest was created in 1983 to encourage individuals, companies, and institutions to fund voluntary welfare programmes intended to help disadvantaged people in Singapore.

Today, there are over 200 Voluntary Welfare Organisations (VWOs) in Singapore. They have each developed programmes and projects to help a significant number of disadvantaged people in the Singapore community. They all need more financial aid.

ComChest quote their "four passions" as nurturing children to succeed, keeping families together, helping the disabled lead independent lives, and dignifying the lives of the elderly. There is also a volunteer arm of NCSS, called Volunteer Action for Social Service.

**5.011 National Volunteer Centre** [www.nvc.org.sg](http://www.nvc.org.sg)

The National Volunteer and Philanthropy Centre (NVPC) is the national coordinating body to promote volunteerism and philanthropy in Singapore. They function as a non-profit non-government organisation, with funding support from the Ministry of Community Development and Sports for overheads. NVPC's board is chaired by a private sector individual, and comprises representatives from the private, public, and people sectors.

**5.012 People's Association** [www.pa.gov.sg](http://www.pa.gov.sg)

The People's Association aims to promote active citizenship and multiracial harmony, and to bring people closer to each other and to the government.

## 6.0 GOVERNMENT INITIATIVES

The government has traditionally played a dominant role in Singapore's development. As such, Singapore-based companies tend to look to the government for leadership and direction on new issues. Many companies seem unwilling to take initiatives towards issues such as the environment and social development unless it is made compulsory by the government. Therefore, in Singapore more than in many countries, the government's stance on SRI, the environment, social issues, and investment legislation is important to their prominence.

There are several government schemes to promote environmental awareness and best practices for both the public and corporations. However, current government initiatives on SRI-related issues are limited. Environmental and social activities are done at the community level through the Community and Development Councils.

Many non-Singaporeans believe that government should not be involved in environmental and social activities and that this should stem from the individuals and corporations, but in Singapore, government involvement is crucial.

### 6.1 Environmental Legislation

**National Environment Agency** [www.nea.gov.sg](http://www.nea.gov.sg)

There are no Government initiatives related to SRI at present.

NEA runs the Innovation for Environmental Sustainability Fund. The Innovation for Environmental Sustainability (IES) Fund is a \$20 million fund set up by the Ministry of the Environment in October 2001 to encourage and assist Singapore-registered companies to undertake innovative environmental projects that could help to meet the national goal of environmental sustainability.

*The government supports several environmental schemes with a sustainability angle*

Projects are chosen according to several criteria:

- Strong elements of 'innovation' and 'early adoption'
- The outcome of the pilot, if implemented, will assist the country to meet the goal of environmental sustainability
- Project must not have commenced at the time of application
- Project should not exceed 3 years in duration

The projects may be classified into the following categories:

- Projects that enhance the Ministry's capabilities
- Projects for the development of environmental technologies and products for commercialization purposes
- Projects with the primary aim to improve environmental performance of a company

Examples of approved projects include the use of incineration ash for road construction, CNG buses, development of a fertilizer from compost and sewerage sludge, and the development of environmentally-sound packaging.

NEA also runs the 3P Partnership Fund, which aims to facilitate the implementation of 3P partnership efforts between NEA and members of the people, private, and public (3P) sectors to achieve a sustainable, quality environment in Singapore.

Individuals, groups (e.g. non-governmental organisations), associations, grassroots organisations, and private companies are eligible to apply for funding through the 3P Partnership Fund and will be evaluated according to the following criteria:

- Sustainability of the outcome of the project
- Innovativeness of the project
- Level of partnership/ownership achieved in the project
- The project should not be for direct profits

The project may be classified, but is not limited to, the following categories:

- Environmental education
- Promotion of community participation in environmental activities
- Enhancement of environmental services or infrastructure
- Research on environmental issues
- Activities that tap into the partners' expertise to solve problems or come up with innovative strategies, etc.

Through the Singapore Environment Institute, NEA also carries out various environmental education programmes. At present, these have focused on issues such as pollution management, solid waste management, environmental public health, and urban environmental management. However, SEI is looking to offer seminars on broader environmental issues, such as environmental reporting and the Equator Principles, through their Professional Sharing Series.

NEA endorses environmental reporting and has issued guidelines on environmental reporting for Singapore-based companies in collaboration with ACCA.

### Ministry of Environment - Singapore Green Plan 2012 (SGP) [www.env.gov.sg/sgp2012/](http://www.env.gov.sg/sgp2012/)

Most of the schemes in the SGP are aimed at pollution, water, and waste management. However, new emphasis on energy efficiency was introduced when the National Energy Efficiency Committee was set up in 2001 to promote more efficient use of energy in homes, industries, commercial buildings, and vehicles.

The SGP aims to forge close relationships between the 3P - people, private, and public sectors. The idea is that the Ministry of the Environment acts as a network facilitator between employees, civic groups, labour unions, etc. Environmental issues are now also covered in the teaching curriculum.

Historically, Singapore has had strong environmental management. As an island state, managing the environment has been a key part of Singapore's economic development. Acts relating to the environment, fauna, and flora, listed under the Attorney-General Chambers Statutes online ([agcvldb4.agc.gov.sg/](http://agcvldb4.agc.gov.sg/)) include:

- Agri-food and Veterinary Authority Act
- Animals and Birds Act
- Endangered Species Act (Import and Export)
- Environmental Pollution Control Act
- Environmental Public Health Act
- National Heritage Act
- National Parks Act
- Parks and Trees Act
- Prevention of Pollution of the Sea Act
- Wild Animals and Birds Act

## 6.2 Investment Legislation

[www.mas.gov.sg](http://www.mas.gov.sg)

As mentioned in section 3.4, the Monetary Association of Singapore (MAS) has strict rules regarding the registering of funds, given in the Code on Collective Investment Schemes 2002 (updated March 2003), under the Futures and Securities Act 2001.

Two approvals are required before a fund may be offered for retail sale in Singapore. They pertain to the authorisation of the fund and the registration of its prospectus, the application fee for which is S\$1,200 each. These costs can be increased if the investment house decides to use external lawyers to assist with the prospectus. The registration for the prospectus takes typically three weeks.

Before the Securities and Futures Act (SFA) came into effect in July 2001, foreign funds could not be offered directly to the public in Singapore, as they did not meet the requirements of the Companies Act.

Once the legal fees are included, registration of a fund in Singapore can cost approximately US\$10,000, plus ongoing fees such as lodging prospectuses, reports, and accounts. As a result, there has only been a handful of non-local funds fully registered in Singapore (and thus available to the public) since the legislation changed a year ago.

The preferred industry alternative is to register an offshore fund on a 'recognised restricted' basis and to sell to investors who are classed as sophisticated, i.e. earn over S\$300,000 per annum and are willing to invest a minimum of S\$200,000 per transaction. This criterion includes corporates, fund of funds, and high net worth individuals, and is a source of low cost, high value business. Funds offered on a recognised restricted basis cannot be marketed locally, hence public awareness of them tends to be fairly low.

*Registering a fund in Singapore can cost more than US \$10,000*

## 6.3 Employment, Labour, and Health and Safety Legislation

[www.mom.gov.sg](http://www.mom.gov.sg)

Various acts are enforced under the Ministry of Manpower regarding employment issues. The Employment Act itself gives basic terms and conditions for all workers, except those in managerial, executive, confidential jobs, and seamen and domestic workers. There are regulations in place also to protect female and young workers through the Employment (Female Workmen) Regulations and the Employment (Children and Young Persons) Regulations.

The Singapore Labour Foundation Act promotes welfare of members of the trade unions and their families, and assists in social, economic, and education programmes which are related to the development of trade unions in Singapore.

Much of the occupational health legislation is based on factory workers, but also applies to other employees, regarding asbestos, noise, required medical examinations, first aid, toxic substances, etc.

## 6.4 Social and Developmental Legislation

[agcvldb4.agc.gov.sg/](http://agcvldb4.agc.gov.sg/)

There are many laws regarding social issues, in particular promoting children's welfare, development, and peace in the community.

**Ministry of Community Development and Sports (MCDS)** [app.mcds.gov.sg](http://app.mcds.gov.sg)

The MCDS runs many community projects, including those to promote marriage and work-life harmony, being socially responsible, women's rights, care of the young and the elderly, and supporting families.

### Development

**Development Fund Act** - includes funding of construction, acquisition of land, and research  
**Development Loan Act/Developmental Investment Act** - to assist in or facilitate the establishment, development, or expansion of any industry that will enhance economic growth and employment opportunities in Singapore, that will enjoy good export market prospects, or that will enhance Singapore's international competitiveness.

### Children

#### Adoption of Children Act

**Children and Young Persons Act** - protecting children from ill treatment

**Children Development Co-Savings Act** - a special savings scheme for children of families with two or more children of married parents wherein the government will contribute an equal premium into the savings plan.

### The Elderly

**Maintenance of Parents Act** - for those over 60 who are unable to look after themselves financially. Through this act, they can seek financial help from their children.

**Homes for the Aged Act**

### Others

**Women's Charter** - to promote equality between husband and wife

**Maintenance of Religious Harmony Act**

**National Council of Social Service Act**

**People's Association Act**

**Preservation of the Peace Act**

**Health Sciences Authority Act**

## 6.5 Other Government Initiatives

As outlined in section 1, Singapore's extremely successful rapid economic growth has in part been achieved through strict government measures focused on economic development and stability. Whilst the environment features in government policy, as a city-state and an island, there are some unique policy challenges. As a result, the environment has often been a secondary consideration when compared to economic growth in order to achieve the development that Singapore has achieved.

The focus given to environmental and social issues in Europe, the US, Japan, and Australia is only slowly coming into play in Singapore. Issues such as corporate social responsibility (CSR), ethical investing, and sustainability reporting still lack awareness amongst the general public, whilst in many countries these issues are commonplace in the media, public awareness, and on the corporate agenda. For many companies internationally, CSR, sustainability reporting, and managing the environment are standard parts of business, as the long-term benefits are seen to outweigh any costs. In Singapore, it seems that these issues are slowly gaining recognition, but they are by no means mainstream as yet. Government initiatives towards governance and non-affiliated directors are increasing, and others are sure to follow suit. Whilst the uptake of these initiatives needs to come from companies, government support and infrastructure also needs to be in place to enable these issues to get on the corporate agenda.

There are still further developments to be made in government policy towards a balanced growth of the economy, environment, and society. Unfortunately, there are several examples of environmental loss. The Master Plan of the Urban Redevelopment Authority, detailing development plans, has replaced several important nature areas in Singapore with smaller, less diverse areas. Unfortunately, land-scarce Singapore will always have a problem with the 'development versus nature' battle. For example, the recent development of the Kranji Marshes into a golf course, agreed in May 2000, went ahead despite the fact that 140 bird species, including rare examples, have been counted there (Nature Society website).

*Environmental impact assessments are not legally required*

Environmental impact assessments are not a legal requirement in Singapore. It is however mandatory for a pollution control study (PCS) to take place for activities thought to cause pollution (National Environment Agency). As part of section 36 of the Environmental Pollution Control Act, a PCS should be carried out to identify the source of pollutants, determine quantities, and recommend measures to reduce the emissions (National Environment Agency). Although the PCS will help to reduce air, water, and noise pollution, it is not as extensive as an environmental impact assessment would be (neglecting affects such as biodiversity for example).

There is also no requirement to make these reports public, nor for the public to have an opportunity to comment, as in other countries.

## 7.0 PUBLIC UNDERSTANDING OF SRI

*Familiarity with SRI appears low, but interest rises with access to information*

In May 2003, PAIA Consulting conducted a poll to assess awareness of SRI in Singapore and to assess the extent to which Singaporeans are concerned about environmental and social issues.

The poll focused on individuals most likely to be aware of SRI - those working in the financial district, who tend to be well-educated and with the potential savings to invest. Over 50 people were surveyed and asked about their views on SRI. From the survey, 54% had never heard of SRI or ethical investments. Once some basic information was provided, 92% of the total respondents said they would be interested in investing in SRI funds in the future. Indeed, 31% of the respondents said that they would be willing to sacrifice financial performance to invest responsibly. Whilst some bias needs to be accounted for, these results are so strongly in favour of SRI that they suggest that, given education and information about SRI, there may be interest in such funds despite the fact that at present the level of awareness is very low.

Corporate governance seems to have increasing prominence in Singapore. ACCA's report "Responsibility in Business (Attitudes in Corporate Governance in China and South-east Asia)"<sup>3</sup> in 2002 polled 200 chief financial officers (CFOs) in China, Malaysia, and Singapore. In the survey, 54% of Singaporean CFOs said people were "much more aware" of corporate governance than three years ago, with 32% saying they were "slightly more aware".

30% said that Singapore was "slightly ahead" of competitors in the market, with 24% saying that Singapore was "very ahead". ACCA concluded that their findings suggest that governments are exerting a lot of pressure for corporate governance in Southeast Asia. While 40% of respondents say that investors are applying the most pressure for governance reform, 60% believe that this is most keenly felt from the government.

Perhaps as a mark of increased environmental awareness, three environmental management courses at the masters level have started in Singapore over the last few years: Ngee Ann-Adelaide ([www.naaec.com.sg](http://www.naaec.com.sg)), National University of Singapore ([www.sde.nus.edu.sg](http://www.sde.nus.edu.sg)), and the Nanyang Technological University (on environmental engineering, [www.ntu.edu.sg](http://www.ntu.edu.sg)). In addition, there are also over six organisations running environmental audit (ISO 14001) courses in Singapore.

*Support for environmental and social concerns is growing*

Membership of environmental groups is also encouraging. The Nature Society has 2,000 members and other environmental volunteer groups, such as Green Volunteers Network and Youth Environmental Network, have around 1,000 volunteers each. The National Volunteer Centre, focused on social issues, has the most members, at an impressive 7,000.

Singapore, like Hong Kong, is a city-state. It is famous for its greenery and displays of colourful tropical flowers along the roadsides. However, as a city-state, access to remote, wilderness areas can be limited. As many Singaporeans cannot easily access nature at its wildest, there may be an inclination for many Singaporeans to place a lower value on issues such as nature conservation. However, the lack of access to wilderness areas can also work the opposite way, by reinforcing the importance of protecting the green areas that Singapore does possess. For example, the loss of the biodiversity-rich Chek Jawa area of the island Pulau Ubin was avoided by protests by the public and experts<sup>4</sup>.

The most dominant religion in Singapore is Buddhism. Many Buddhist principles are in line with the aims of SRI funds, especially ones that pay due concern to the environment and social issues, and avoid harm to "living things". Singapore also has a Muslim population of around 400,000, who are potential investors in Islamic Funds (see section 3.3).

Singaporean culture is generally to save, and there is approximately S\$102,076 million invested in the country's pension fund (the Central Provident Fund). Through the Central Provident Fund, people can invest in a fund from a list of companies provided by the scheme. This is a substantial market that could be expanded to include SRI funds.

At present the level of awareness of SRI amongst the public is low. There seems to be increasing trends towards an interest in environmental and social issues, but, in general, the focus paid to these issues is low in comparison with other countries with a similar level of wealth to Singapore.

<sup>3</sup> ACCA report - no web link

<sup>4</sup> [www.ecologyasia.com/NewsArchives/Dec\\_2001/straitstimes.asia1.com.sg\\_singapore\\_story\\_0,1870,93520,00.html](http://www.ecologyasia.com/NewsArchives/Dec_2001/straitstimes.asia1.com.sg_singapore_story_0,1870,93520,00.html)

## 8.0 CORPORATE GOVERNANCE INITIATIVES

Another indicator of the potential for SRI is the level of uptake of corporate governance (CG) initiatives. SRI supports the uptake of corporate governance. Whilst CG often focuses on accounting principles, it also promotes a general culture of transparency and companies being responsible for their actions. As such, a part of CG is corporate social responsibility, or companies being responsible for their environmental and social behaviour, which is a key principle behind SRI funds.

According to a survey conducted in October 1999 by PricewaterhouseCoopers in collaboration with the Singapore Exchange<sup>5</sup>, institutional investors in Singapore rated the country's corporate governance standards to be comparable to international capital markets and ahead of most Asian countries, including Japan and Hong Kong. The respondents also indicated their preference for improvements in enhanced disclosure, increased frequency of reporting, more guidance on corporate governance best practices, and for voluntary self-regulation.

*The government has backed more rigorous corporate governance standards*

A more recent PwC survey, "In Search of Shareholder Value," was released last year. The study revealed that there is a high level of acceptance of shareholder value concepts among Singapore companies, but the level of implementation of these concepts is still low<sup>6</sup>.

The CLSA 2003 annual survey on corporate governance<sup>7</sup> concluded that "Singapore, Hong Kong and India are seen as offering investors the best macro CG environments" of the emerging markets which they covered. It notes that "CG has been taken seriously in Singapore over the past few years, and this has culminated in the Corporate Governance Code [see 7.1] which takes effect this year" and "we detect an underlying shift in corporate Singapore's mindset that is indeed taking CG seriously. Most fundamental has been the increasing appreciation that shareholders are the true owners of the company and that the board and management are the appointed stewards."<sup>8</sup> One indication of a change in orientation for corporate Singapore that was noted by CLSA is the recent increase in dividend payouts.

### 8.1 Codes of Conduct, Legal Infrastructure and Enforcement

The Monetary Authority of Singapore ([www.mas.gov.sg/](http://www.mas.gov.sg/)) set up the Council on Corporate Disclosure & Governance (CCDG) in August 2002 following changes to the Companies Act the previous month.

The CCDG ([www.ccdg.gov.sg/](http://www.ccdg.gov.sg/)) is responsible for strengthening the framework on disclosure practices and reporting standards, as well as updating the Code of Corporate Governance ("the Code") to ensure that it remains useful and relevant.

The CCDG constantly encourage companies in Singapore to improve their corporate governance culture and practices, so that, over time, more companies are able to comply with the Code. The CCDG will also review the disclosure practices of all companies on a continuous basis.

In 2001, Dr. Richard Hu, the Minister for Finance for Singapore at the time, stated at a conference<sup>9</sup>:

"To ensure that our regulations and corporate practices keep up with international best practices and remain conducive to businesses, the Singapore Government set up three private-sector-led

<sup>5</sup> Price Waterhouse Coopers (PwC); Corporate Governance: 1999 Survey of Institutional Investors

<sup>6</sup> Further details of both surveys: [www.pwcglobal.com/extweb/ncsurvres.nsf/\(ViewAgentByKeyDisplay\)/all\\_all\\_SG\\_Eng](http://www.pwcglobal.com/extweb/ncsurvres.nsf/(ViewAgentByKeyDisplay)/all_all_SG_Eng)

<sup>7</sup> CLSA Emerging Markets; CG Watch; Corporate Governance in Asia, 2003

<sup>8</sup> *ibid*, p. 70

<sup>9</sup> 12th Asean Federation Of Accountants Conference; 18 October 2001

committees to review the corporate governance and regulatory framework in Singapore. These committees are: the Corporate Governance Committee ('CGC'), the Disclosure and Accounting Standards Committee ('DASC'), and the Company Legislation and Regulatory Framework Committee ('CLRFC').

The CGC completed its review and submitted its report and an accompanying Code of Corporate Governance in April 2001. Listed companies in Singapore are encouraged to adopt this Code. If they deviate from it, they must disclose and explain their areas of deviation.

## 8.2 The Government Stance on Corporate Governance

Currently, compliance with the Code of Corporate Governance is not mandatory, but listed companies are required to disclose their corporate governance practices and give explanations for deviations from the Code in their annual reports for annual general meetings held from 1 Jan 2003 onwards.

*The focus on governance is slowly growing, but there are no class action law suits*

## 8.3 Legal Framework for Shareholder Protection

There are no securities class action laws or other laws regarding shareholder protection in Singapore as far as we are aware.

## 8.4 Media Attention to Corporate Governance and Shareholder Rights

Traditionally there has been limited media coverage of issues such as shareholder rule, as typically the Singapore media has focused on promoting economic development and social well-being. However, in recent years, it seems that there has been more media coverage regarding shareholder rights, in particular due to the "name and shame" strategy of the Securities Investors Association of Singapore (SIAS).

## 8.5 Emergence of Minority Shareholder Groups

As far as we are aware, there are no groups specifically focused on minority shareholder issues. However, there are a number of groups that cover this area along with other responsibilities, such as SIAS, Centre for CSR, and the Institute of Directors (see 8.6.5).

## 8.6 Corporate Governance Related Organisations

Stakeholder empowerment in Singapore is not as active as in many Western countries. There are, however, several organisations working to protect consumers and shareholders. Many of these have been set up in the last couple of years, showing a growing awareness for consumer rights and governance issues.

*A range of groups are active on shareholder and governance issues*

### 8.6.1 Consumers Association of Singapore [www.case.org.sg](http://www.case.org.sg)

CASE's mission is to protect and enhance consumers' interests by informing and educating, and to promote an environment of fair and ethical trade practices.

### 8.6.2 Association of Chartered Certified Accountants [singapore.accaglobal.com](http://singapore.accaglobal.com)

ACCA has a long and proud history in Singapore and traces its origins back to 1936. ACCA has conducted surveys on corporate governance (see section 1.10) and promotes environmental reporting and corporate transparency.

### 8.6.3 Singapore Association of the Institute of Chartered Secretaries and Administrators [www.saics.com](http://www.saics.com)

SAICS has run several seminars on corporate governance, including one in April 2003, titled "Disclosure Obligations - To Abate Legislative Requirements and Shareholder Activism" in conjunction with the Centre for Corporate Management and Development.

#### 8.6.4 Securities Investors Association of Singapore (SIAS) [www.sias.org.sg](http://www.sias.org.sg)

SIAS is the largest organised investor lobby group in Asia, with 16,000 retail investors as members. They conduct courses and hold regular seminars regarding shareholder rights, corporate governance, etc. They also hold an annual awards ceremony, including awards for "The Most Transparent Company" and "The Best Corporate Governance". SIAS has been actively involved in questions related to minority shareholder issues.

#### 8.6.5 Singapore Institute of Directors [www.sid.org.sg](http://www.sid.org.sg)

The Institute's mission is "To promote high standards of corporate governance through education and training and upholding of the highest standard of professional and ethical conduct of directors".

#### 8.6.6 PricewaterhouseCoopers (PwC) [www.pwcglobal.com](http://www.pwcglobal.com)

PwC, as well as conducting a survey on corporate governance in Singapore (see section 7.0), produced a guide called "Corporate Governance: A Guide for Singapore Company Directors," and ran a seminar in April 2003 titled "The Practicalities of Corporate Governance".

## 9.0 CORPORATE DEVELOPMENT & RESPONSE

A key indicator of the potential for SRI is the extent of corporate development on SRI-related issues, such as sustainability reporting, environmental management, and corporate social responsibility.

### 9.1 Environmental /Social /Sustainability Reporting

The level of environmental/social/sustainability reporting is currently low in Singapore, but this is expected to increase in the near future.

*Steady progress on  
better corporate  
reporting*

ACCA established environmental reporting awards in Singapore in 2002 (see section 8.4.1). There are clear incentives for improved environmental reporting and more ISO 14001 compliance. A report published in early 2002 by the ACCA entitled 'The State of Corporate Environmental Reporting in Singapore' summarized the findings from a study of the latest annual reports, and any stand-alone reports, of 160 listed companies and 13 government linked companies (GLCs), and statutory boards. Some 14% of listed companies and 23% of GLCs and statutory boards had some form of CER. The report notes that the environmental information was generally "declarative" and brief. Most of the listed companies that did some form of CER mentioned environmental policy and benefits; no company mentioned environmental audits or bad news.<sup>10</sup> Of the top ten listed companies in Singapore, only Singapore Airlines provided a stand-alone report.

Since the launch of ACCA's Environmental Reporting Awards in 2002, there has been an increase in the awareness of reporting and an increased number of companies producing reports. However, the absolute levels of reporting are still low (see section 8.4.1).

<sup>10</sup> Thompson, Paul; Corporate Environmental Reporting In Singapore And Malaysia: Progress And Prospects; Nottingham University Business School; 11/2002; [www.unim.nottingham.ac.uk/dbm/ceabur/11-2002.pdf](http://www.unim.nottingham.ac.uk/dbm/ceabur/11-2002.pdf)

## 9.2 ISO 14001 Certification

ISO 14001 is becoming more widespread in Singapore. This has been largely government driven. The government insists that large contractors under grade A and B will be required to be ISO 14001 certified by July 2004 to qualify to tender for government projects. The Ministry of the Environment is encouraging companies to become ISO 14001 certified and, as of March 2004, there are now 499 Singapore companies that have already done so - mainly in the construction industry. This number is lower than in neighbouring Thailand and Malaysia, but reflects the smaller industrial base in Singapore as opposed to Thailand and Malaysia.

*Government is creating incentives for ISO 14001 Certification*

## 9.3 Award Schemes

### 9.3.1 ACCA Annual Award for Environmental Reporting

[www.acca.co.uk/sustainability/awards/sera/](http://www.acca.co.uk/sustainability/awards/sera/)

ACCA established the Environmental Reporting Awards in Singapore in 2002. In the first year of the awards, there were just three entrants; last year (2003), the number trebled to 10 entrants. Several additional companies have indicated that they will be submitting reports to the 2004 awards. It is anticipated that environmental reporting will steadily increase in prominence in Singapore.

The winner of the 2002 awards was Singapore Airlines ([www.singaporeair.com/pdf/english/AboutSIA/Environment/EnvReport0203](http://www.singaporeair.com/pdf/english/AboutSIA/Environment/EnvReport0203)). In 2003, the winner was Sony Display Devices ([www.sony.com.sg/SonyStatic/corporate\\_info/SDS-SocialReport2003.pdf](http://www.sony.com.sg/SonyStatic/corporate_info/SDS-SocialReport2003.pdf)). In 2003, ACCA Singapore also released an award for "Best Environmental Report" within an Annual Report. There was no overall winner, but Sembcorp Industries received a commendation.

ACCA has also been running a number of environmental reporting training sessions and awareness-raising events.

ACCA first launched environmental reporting awards in the UK in 1991. At the time, uptake was low, but it quickly snowballed and environmental reporting is now standard practice in Europe and Japan.

### 9.3.2 The Securities Investors Association of Singapore [www.sias.org.sg](http://www.sias.org.sg)

The SIAS has annual awards including 'The Most Transparent Company Award' and 'The Best Corporate Governance Award'. There is a separate winner per sector for 'The Most Transparent Company Award', and in 2003, the winners included Keppel Corporation (multi-industry/conglomerates), Singapore Food Industries (manufacturing), Venture Corporation (technology and electronics), OSIM International (commerce), and Singapore Telecommunications (transport/storage/communication). The winner of the Best Corporate Governance Award in 2003 was Singapore Telecommunications, with Keppel Corporation and Overseas Chinese Banking Corporation at second and third.

### 9.3.3 The Singapore Environment Council [www.sec.org.sg/](http://www.sec.org.sg/)

The SEC presents the Singapore Environmental Achievement Awards to recognise efforts of local companies and government agencies to improve their environmental performance.

The judging panel is looking for "a significant and innovative initiative(s) by a Singapore based company or organisation to reduce the environmental impacts of their processes, products, or services while maintaining or improving the long term viability of the business or productivity."

Examples of such initiatives include waste minimization, reduction in toxicity or volume of trade effluent or hazardous waste, energy conservation, design of products or packaging resulting in

less waste or greater recycle-ability, adoption of cleaner production technologies, etc. Other factors that are taken into account are:

- Evidence of action that goes beyond that required by legal compliance and beyond established operational standards
- The extent to which the initiative achieves tangible environmental improvements and addresses the cause of the environmental impact rather than the effects alone
- The degree of support and involvement of senior management and correlation with company/organisational policy, as well as commitment to on-going improvement
- Evidence that the initiative is both environmentally and commercially viable
- The extent to which this initiative can be similarly utilized by other organisations

Past winners have been Eagle Services (jet engine overhaul), Neo Corporation (design-build construction), and, more recently, Alexandra Hospital (2002) and Changi Hospital (2003).

### 9.3.4 Ministry of Community Development and Sports

The MCDS runs the Singapore Family Friendly Employer Award for employers which support the flexibility required in order for employees to balance work and looking after their families.

### 9.3.5 National Volunteer and Philanthropy Centre (NVPC)

[www.nvpc.org.sg/new\\_events/Awards2004/main.html](http://www.nvpc.org.sg/new_events/Awards2004/main.html)

The National Volunteerism & Philanthropy Awards are held by NVPC each year to recognise companies that have made an outstanding contribution to community projects, fund-raising, and shown best practices in philanthropy. There are several categories: Corporate Citizen, Non-Profit Organisation, New Non-Profit Organisation, Innovation Fund Raising Initiative, and the Special

## 9.4 Environmental Consultancies

The environmental consultancy field has grown substantially over the last 15 years as a reflection of the need for independent environmental advice. This trend has been reflected in Singapore, where there are currently over 15 environmental consultancies. 15 years ago, there were only one or two.

## 10.0 BRIEF ASSESSMENT OF MICROFINANCE AND COMMUNITY INVESTMENT PROJECTS

Some leading Singapore corporates have provided funding for philanthropic community programs. A few examples are as follows:

### 10.0.1 Singapore Airlines [www.singaporeair.com](http://www.singaporeair.com)

Singapore Airlines has invested in many arts, sports, welfare, and education projects. Significant donations have been made to Community Chest, the National Kidney Foundation, and the Movement for the Intellectually Disabled of Singapore. Educational projects include donations to local institutions, such as the National University of Singapore, and also overseas funding of projects in New Zealand, Indonesia, and the Philippines.

### 10.0.2 HSBC [www.hsbc.com.sg](http://www.hsbc.com.sg)

HSBC runs the Care for Nature and the Care for Community programmes and has won several awards for them. Their community projects include the Youth Excellence Initiative, the National Youth Achievement Award, and nature projects involving tree planting days and staff training to provide guided tours of the nature parks in Singapore.

### 10.0.3 Standard Chartered [www.standardchartered.com.sg](http://www.standardchartered.com.sg)

Standard Chartered Bank runs the "Living with HIV" and "Seeing is Believing" programs. The Living with HIV staff education program received international recognition with the '2003 Award for Business Excellence in the Workplace' from the Global Business Coalition on HIV/AIDS. Seeing is Believing was launched in 2003 with an ambitious target to raise more than US\$1,000,000, which would be enough to restore the sight of 40,000 people, one person for each of Standard Chartered's employees, by World Sight Day, 9th October 2003.

### 10.0.4 Nokia [www.nokia.com.sg](http://www.nokia.com.sg)

Nokia Helping Hands (NHH) was set mid-2001 as a key corporate community initiative to promote proactive staff volunteerism among Nokia employees. The key goals of NHH are to encourage an ongoing One-Nokia effort across all business units and markets, to strengthen Nokia's corporate reputation as an involved partner in the community, and to demonstrate their core values in community-related efforts. Volunteer projects have included nature clean ups in Australia, reforestation in China, being an after-school mentor in a community centre in South Korea, and building playhouses for orphans in Finland. Nokia also runs youth programs, funds teaching in Brazil, and donates mobile phones to US classrooms and to tribes in Arizona.

## 11.0 ASSESSMENT OF THE FUTURE MARKET FOR SRI

The extent of SRI funds in any country depends on a combination of factors: people concerned enough about environment and social issues to invest their money responsibly, the wealth of individuals and their desire to save and invest, and the availability of SRI funds and services.

In comparison to many other Southeast Asian countries Singapore is a wealthy, highly developed country. Singapore's GDP is S\$156 billion and the unemployment rate is very low (currently at 4.3%)<sup>11</sup>. As such, the potential availability of finance to invest in SRI funds is high.

Singaporeans tend to save for long-term investments, such as pensions and children's and grandchildren's education. The CPF has three million members, almost 75% of the population. The net balance of the fund, as of September 2003, is S\$102,076.3 million. Members of the CPF have a choice; they can leave funds on deposit and gain 2.5% interest a year, or they can invest in fixed deposits, funds, and bonds through the CPF Investment Scheme. A list of companies is given for the members to choose from which includes five fixed deposit companies, 12 insurance companies, and 32 fund management companies. However, each fund has to be registered individually with the CPF in order for them to be available to CPF investors. The UOB Global UNIFEM fund is not registered under the CPF, but the Morley SRI fund was. It is not always viable for fund managers to register their funds with CPF as this imposes restrictions on the fund.

As in many Asian countries, in Singapore there is a strong emphasis on saving for educational expenses. This is reflected in the statistics for members in the CPF Education Scheme. In 2001, a total of S\$72.4 million was withdrawn from the scheme for tuition and administration fees.

Long term investments, such as for pensions and education, fits in well with SRI, as investments in companies that have a good environmental and social track record (and are, therefore, sustainable) can have positive performance characteristics over the long term.

Singapore is an offshore banking centre and often considered a financial hub for Asia. It has six local banks and 121 international banks. As such, it is well set up with the infrastructure necessary for SRI funds. However, at present there is limited availability of SRI funds, and a low level of awareness and understanding of SRI funds, especially amongst the public.

*Singapore has all of the SRI drivers: long-term investment, good market infrastructure, and support for SRI issues*

<sup>11</sup> [www.sg/snapshot/snap\\_employment](http://www.sg/snapshot/snap_employment)

Singapore is well known for its strict laws and there is no exception for the financial market. The strict laws of the Monetary Authority of Singapore (MAS) cannot be ignored. Getting a non-local fund approved for retail sale by the MAS can be time-consuming and expensive when legal fees are taken into account. Registering a fund suitable for sophisticated investors only is more straightforward. However, media advertising is not allowed for sophisticated investor funds. Nonetheless, sophisticated investor funds can be marketed to pension schemes.

In light of the registration hurdle, local banks with established asset management arms and local distribution may have a competitive advantage in launching SRI funds, as opposed to the leading international SRI fund providers.

Another issue to consider is that fund sales in Singapore are very reliant on banks as the primary distribution channel. This has the potential to impose limitations on the fund marketing process. Whilst banks have large customer bases seeking investment products, approved funds from third party providers must compete with in-house funds for customer interest.

As an island state, Singapore has always had to be concerned about environmental issues. This is evident in the country's sophisticated transportation policies, including electronic road pricing schemes, deterrents on car ownership, and an efficient public transport system. Perhaps because of its limited industrial base, Singapore does not suffer from serious local pollution problems (except concerns regarding indoor air quality), but the country does face ongoing resource issues, especially related to the long-term supply of potable water. Also, waste management in Singapore is a problem, with four incinerators on the island and one landfill on a neighbouring island.

While economic growth continues to be a dominant government priority, the country is maturing and greater concern for environmental and social issues is emerging. Activist and government groups alike have been forming over the last couple of years and people are becoming more aware of the issues that stand behind SRI principles.

Given the nature of Singapore, the government stance on SRI will be influential to its development. Corporate governance has been adopted by companies. CSR and environmental management issues seem to be gradually getting onto the corporate agenda locally. As a result, it is concluded that the drivers behind SRI are present and, with increased awareness, education, and governmental support, the potential market for SRI in Singapore is good.

## 12.0 RESEARCH PARTNER

### **PAIA Consulting**      [www.paiiconsulting.com](http://www.paiiconsulting.com)

PAIA is a small and dynamic consultancy, providing specialist environmental expertise. PAIA's founder, Carrie Johnson, has 12 years experience in the environmental field and has worked with a range of blue chip companies, initially in the UK and more recently in Southeast Asia. PAIA's expertise is in working with companies helping them minimise the business risks that environmental related issues can pose, whilst maximising the opportunities.

PAIA's track record includes helping companies implement environmental management systems (ISO14001), providing training and guidance on corporate environmental reporting, environmental accounting, life cycle analysis, and environmental risk communication. PAIA has also conducted research work on ethical investments and corporate social responsibility.

Previous clients include Shell, Amerada Hess, British Airports Authority, Railtrack, London Underground, TXU Europe, AEA Technology, ASRIA, ACCA Singapore, Risktec, and Natsteel.

PAIA's offices are based in Singapore, but PAIA's consultants are used to working across Southeast Asia & Europe!

## **ASrIA, Association for the Sustainable and Responsible Investment in Asia** [www.asria.org](http://www.asria.org)

ASrIA is a not-for-profit membership association dedicated to promoting sustainable and responsible investment (SRI) practice in Asia. ASrIA has over 100 members including investment institutions managing over US\$2 trillion in assets. In order to raise awareness about SRI, ASrIA has run conferences, seminars and workshops, and published wide-ranging research on SRI issues. ASrIA has also created a network of people and organizations committed to developing SRI in Asia. ASrIA's website, [www.asria.org](http://www.asria.org), is the primary resource for SRI in Asia, already attracting over 1,800 page views per day and 5,000 subscribers to the regular e-bulletin.

## **What is SRI?**

Sustainable and Responsible Investment (SRI), also known as Socially Responsible Investment, is investment which allows investors to take into account wider concerns, such as social justice, economic development, peace or a healthy environment, as well as conventional financial considerations.

The most successful SRI funds provide investors with dual returns:

- Financial returns that compare well to, and often exceeding, the returns of conventional investments
- Social and environmental rewards that go beyond the direct financial return to the investor

SRI is therefore a positive economic choice about the way we live and the world we live in.