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ESG PUSH

Asean listcos disclose ESG targets, but fail to measure performance or link it to pay

Thailand leads with disclosure rate of 57 per cent, Malaysia and Singapore are tied in 2nd place at 48 per cent, according to research by NUS, Global Reporting Initiative

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WHILE top listed companies in South-east Asia are able to adequately disclose environmental, social and governance (ESG) metrics and targets, such as on carbon emissions, they fall short on other aspects such as measuring the performance of these indicators over time, and linking them to the remuneration of senior executives.

This is the mixed picture on the quality of climate-related disclosures among companies listed in member countries of the Association of South-east Asian Nations (Asean), according to research conducted jointly by the National University of Singapore's (NUS) Centre for Governance and Sustainability, and non-profit independent standards organisation Global Reporting Initiative.

The report, which was released on Tuesday (Jul 19), assessed the sustainability reports in the last 2 financial years of the top 100 companies by market capitalisation listed in 6 Asean markets, namely, Indonesia, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Out of a total of 600 companies, only 420 had released sustainability reports with climate-related disclosures.

The overall disclosure rate across all 6 Asean markets are at 46 per cent, with Thailand leading with a disclosure rate of 57 per cent. Malaysia and Singapore tied in second place at 48 per cent.

Indonesia has a diclosure rate of 44 per cent, while Philippines is at 42 per cent. Vietnam came in last at 24 per cent.

Presenting the findings online on Tuesday, Lawrence Loh, the director of NUS's Centre of Governance, noted that there is a need to close the gap in reporting standards among Asean countries through better coordination.

Going into the details of specific disclosures, the report found that while most companies included metrics on greenhouse gas emissions and energy consumption and have set a target on how much to reduce them, many did not discuss how they would assess the progress.

Some companies also did not set a specific timeframe for when these targets are to be achieved, said Loh. Among those that did, some gave vague targets such as reducing energy and water usage instead of establishing measurable goals.

The report found that most companies had some form of disclosure on greenhouse gas emissions though the information may not fully capture the full scope of operations or the regions in which these companies operate. The bigger problem, however, is that there are fewer discussions on how to reduce these emissions and how they intend to increase their use of renewable energy.

The report also found that only a small percentage of companies linked remuneration to sustainability performance, which Loh called "very bad news". In fact, no listed companies in Vietnam and Philippines have started integrating ESG performance to the pay of their top executives.

As for strategies companies develop to manage climate risks, the report found that most companies have only discussed the time horizon of their long-term strategy, which mainly involved the reduction of carbon emissions and being carbon-neutral.

However, this was not the case for short-term and medium-term strategies.

Loh also noted that not many companies have analysed the impact of various climate scenarios, which is a component integral to an international framework developed by the Task Force on Climate-related Disclosures.

"Without good scenario analysis, we can never actually map to the scientific trajectories promulgated at the broader level in climate change, including those done by the Intergovernmental Panel on Climate Change and the Paris Agreement," said Loh.

The report also found that while companies were generally able to identify the potential risks and opportunities arising from climate change, the process of how they came about in identifying them is not apparent.

Climate risks are also managed by standalone committees or departments within some companies, and are not fully considered by the risk committee of boards.

With so many international standards available and more coming up, Loh said that some companies have feedback that there is fatigue surrounding sustainability reporting.

Solar panels in Singapore. The report looked at the top 100 companies by market capitalisation listed in 6 Asean markets. PHOTO: BT FILE