



Centre for Governance and Sustainability
NUS Business School

CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Presented by

ASEAN CSR Network

*Centre for Governance and Sustainability
NUS Business School
National University of Singapore*

December 2020

Outline

1. Context
2. Methodology
3. Results: Overall Assessment of Disclosures
4. Results: Principles of Reporting
5. Results: Content in Disclosures
6. Results: Disclosure of EESG Topics
7. Summary

CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Context

Regional Context

1. **Growing concern about EESG* issues** – Pollution, food security, biodiversity, climate change
2. **ASEAN-level initiatives** - ASEAN Socio-Cultural Community Blueprint 2025, Advancing Partnership for Sustainability
3. **Promotion of sustainable finance – e.g.** ACMF release of ASEAN Green Bond Standards
4. **Priority remains even with Covid-19 pandemic** – ASEAN Comprehensive Recovery Framework

*EESG refers to economic, environmental, social and governance

Corporate Context

Stakeholder pressure towards greater corporate efforts in sustainability and its reporting:

- 1. Regulators** – All countries in this study have some form of mandatory sustainability / EESG-impact reporting
- 2. Foreign clients, investors and partners** – Specific pressure point for ASEAN companies given heavy dependence on FDI and participation in global supply chains
- 3. Customers and society** – Support increasingly given to companies with higher sustainability standards

CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Methodology

Assessment Framework

Assessment based on two dimensions: Reporting principles; content of disclosures

Principles (60%)
Stakeholder Engagement (10%)
Materiality (15%)
Completeness (10%)
Balance (5%)
Risks and Opportunities (10%)
Board Governance (10%)

Content (40%)
Performance Data (10%)
Targets (10%)
Reporting Framework (10%)
Assurance (10%)

Scope of Study

- Included 6 ASEAN countries: Indonesia, Malaysia, Philippines, Singapore, Thailand, Vietnam
 - 100 largest companies by market cap assessed for each country (82 for Vietnam due to limited availability of English-language reports)
- Based on FY 2019 sustainability reports*; assessment conducted in end-2020 to early 2021
- Assessment drew from sustainability disclosures – sustainability performance not directly evaluated
- Research partner is ASEAN CSR Network since the inaugural biennial study in 2016

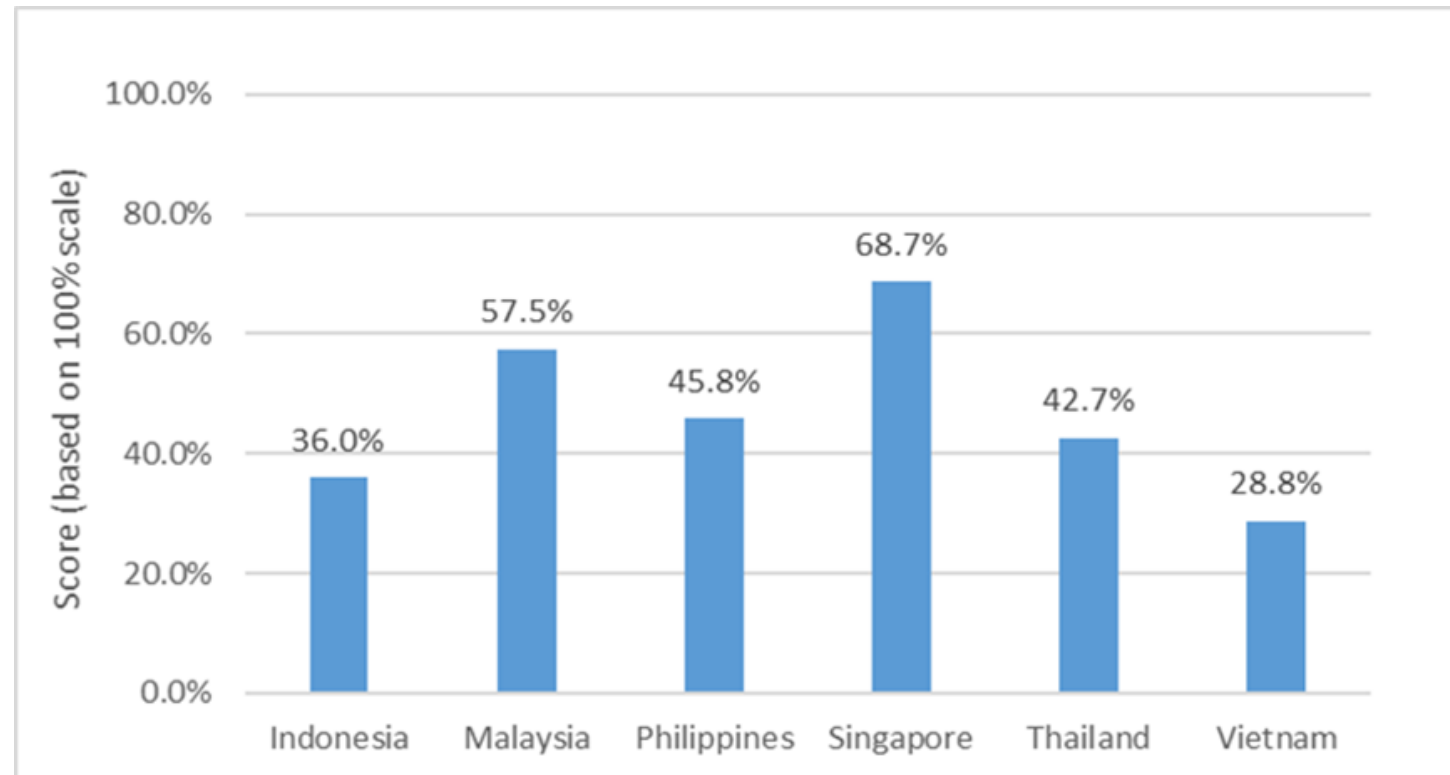
*Sustainability reports can be standalone publications, embedded in annual reports, or company microsites. Study includes only companies with sustainability reports in English

CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Results: Overall Assessment of Disclosures

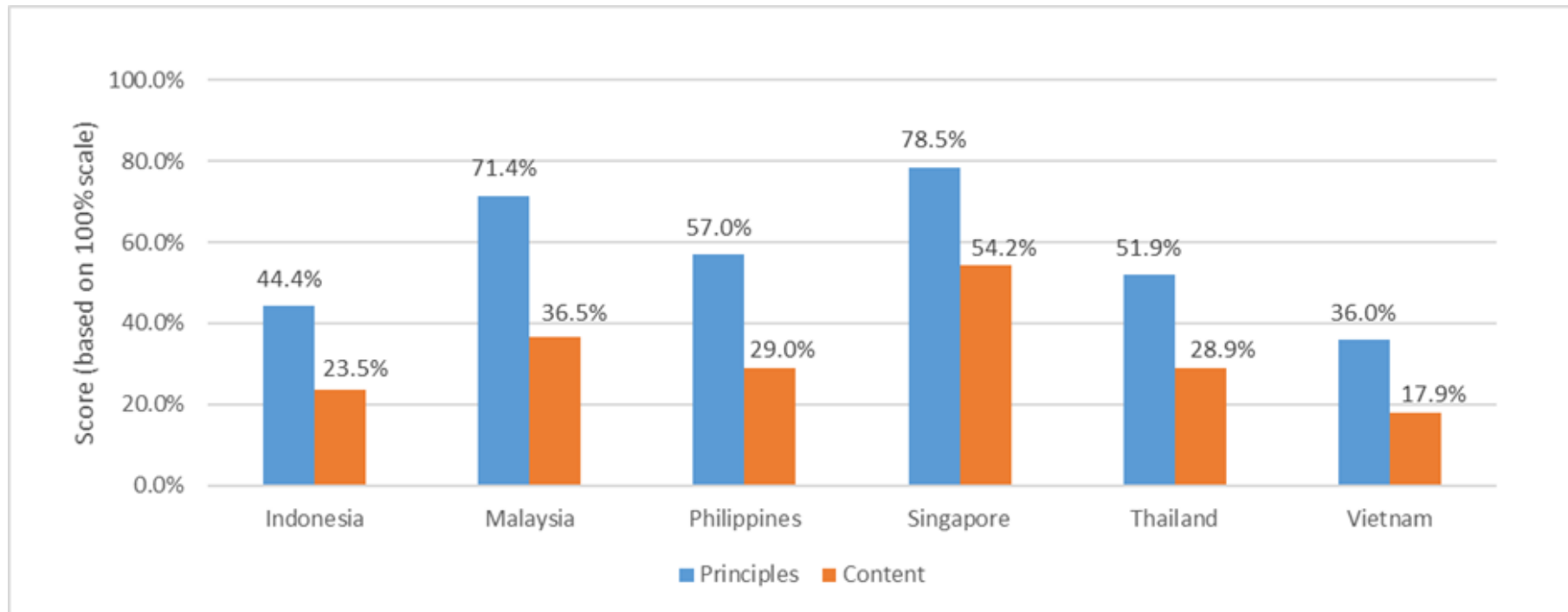
Overall Results

Some variance in corporate sustainability disclosures amongst ASEAN countries



Overall Score for Principles and Content

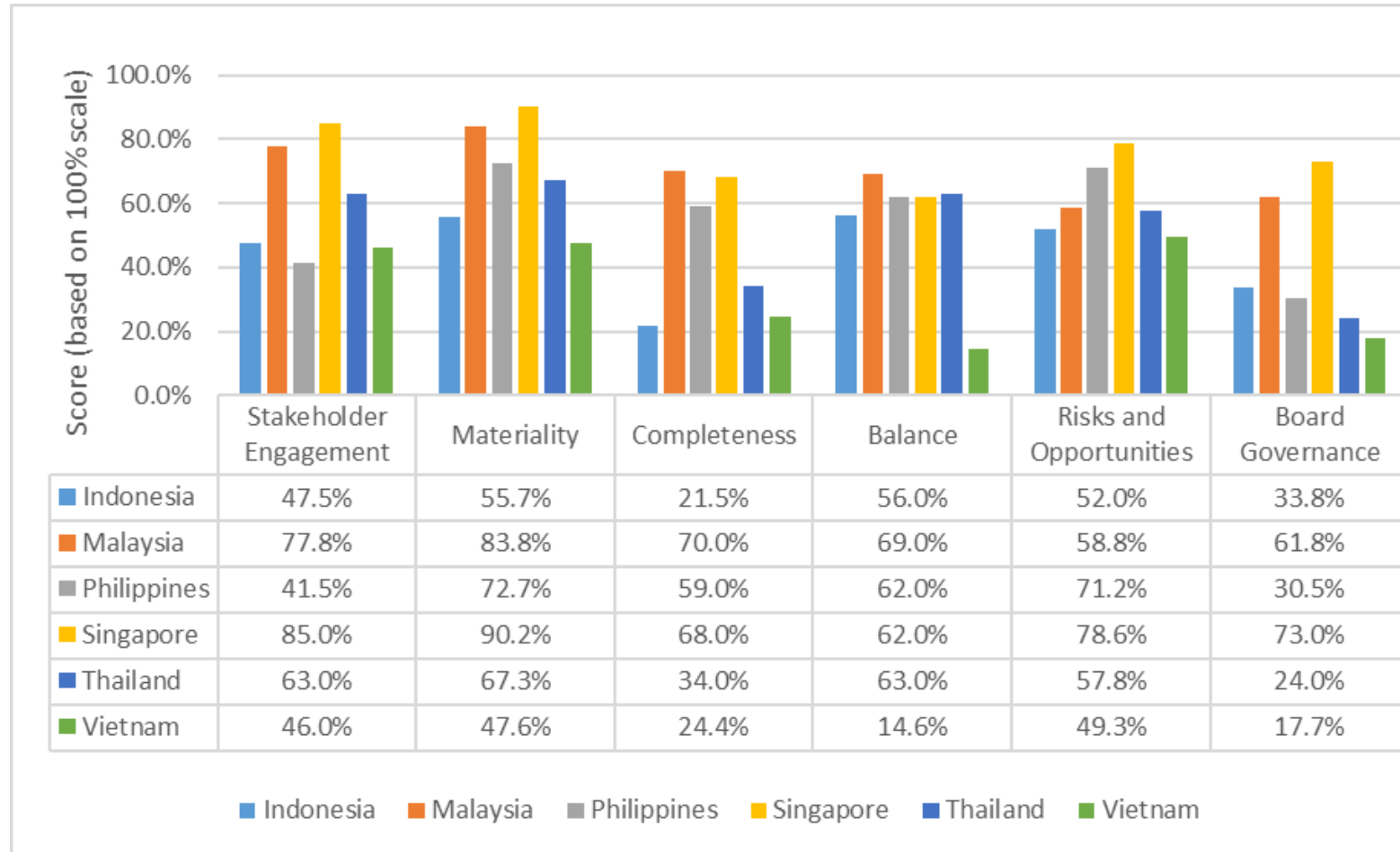
On average, companies exhibit stronger performance on the reporting principles compared to disclosure content



CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

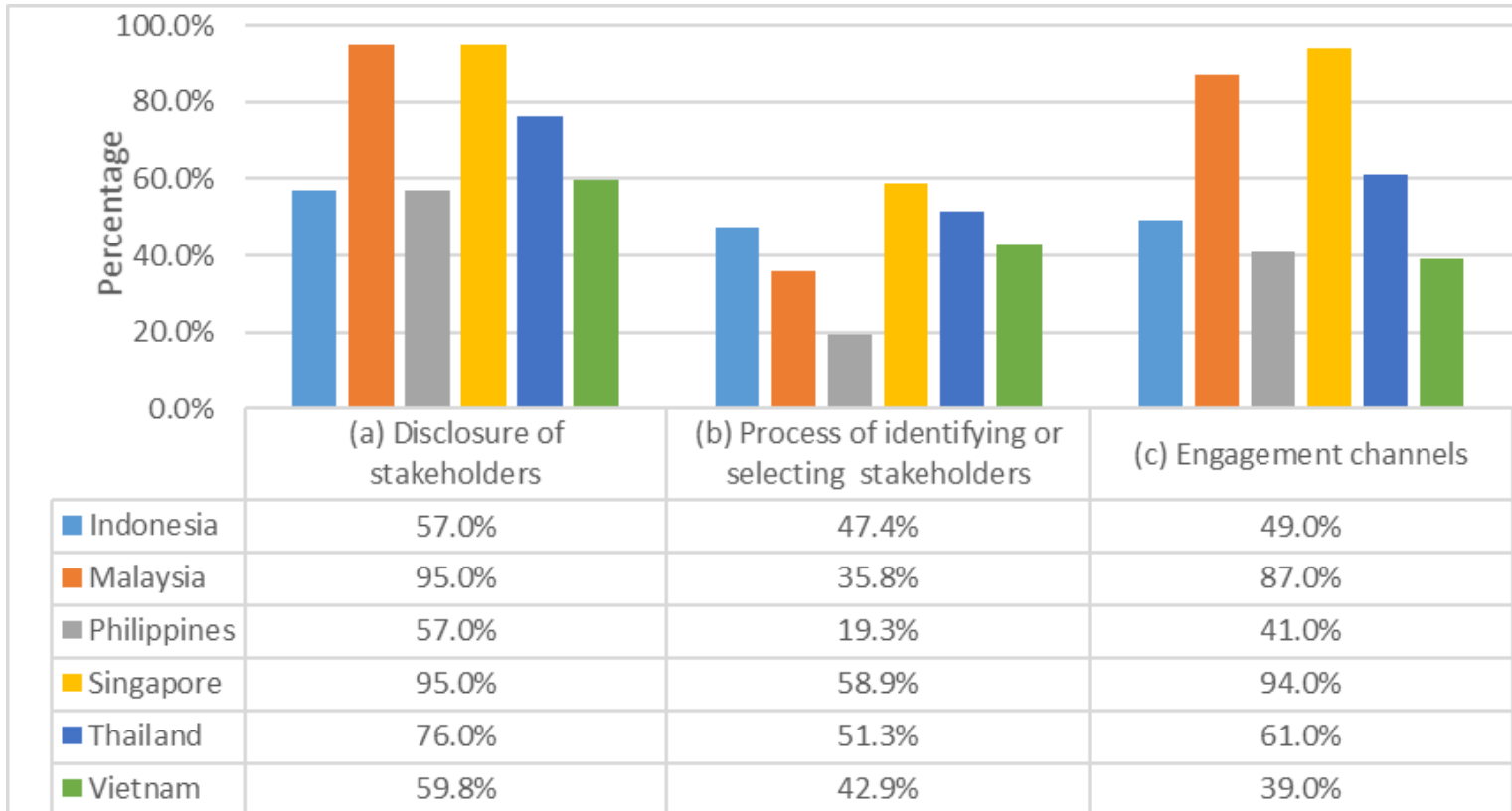
Results: Principles of Reporting

Scores for Components of Principles



- Highest average scores for materiality, risks and opportunities, stakeholder engagement
- Lowest scores for board governance

Stakeholder Engagement

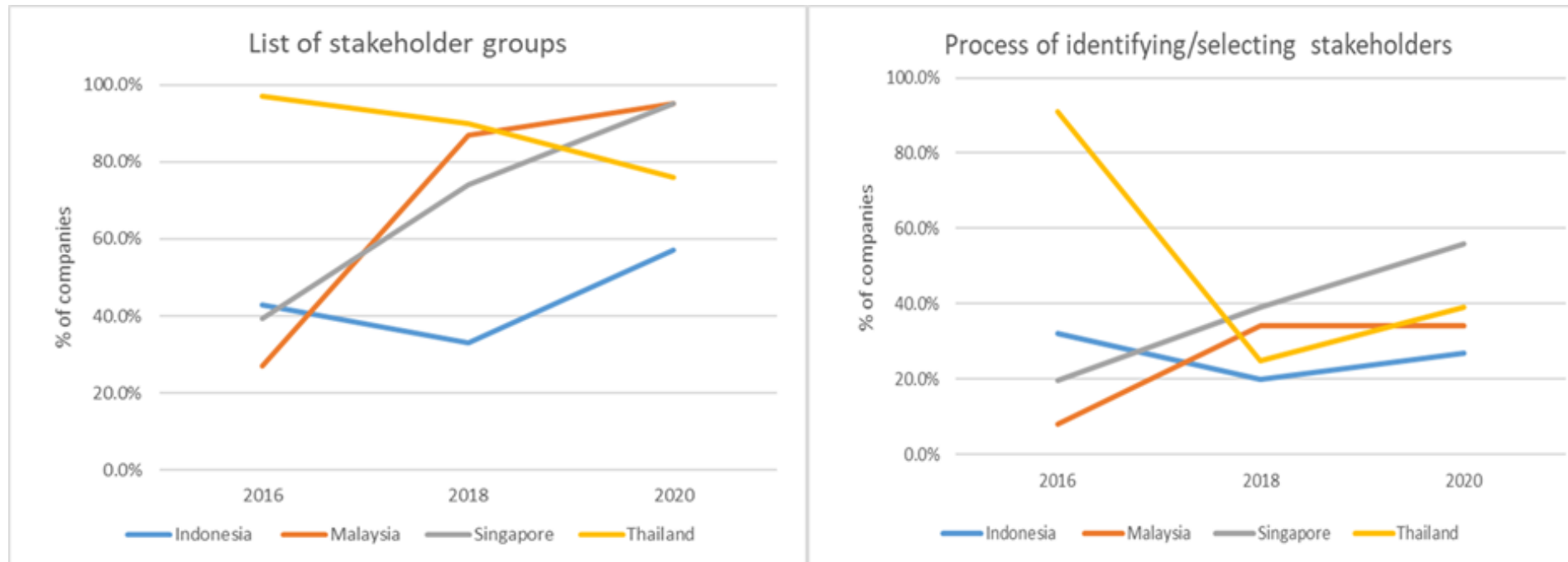


Note: Base for (a) and (c) is number of companies. Base for (b) is number of companies who disclosed their stakeholders

- $\frac{3}{4}$ of companies identified their stakeholder groups
- Less than half of these also disclosed processes used for stakeholder selection

Disclosure Trend in Stakeholder Engagement

Companies have generally improved in disclosures related to stakeholder engagement



Note: 2016 data reflects companies that provided list of stakeholder groups engaged (rather than merely identifying stakeholders) and the companies that reported basis (rather than process) of identification and selection of stakeholders

Top Three Stakeholder Groups by Frequency of Disclosure

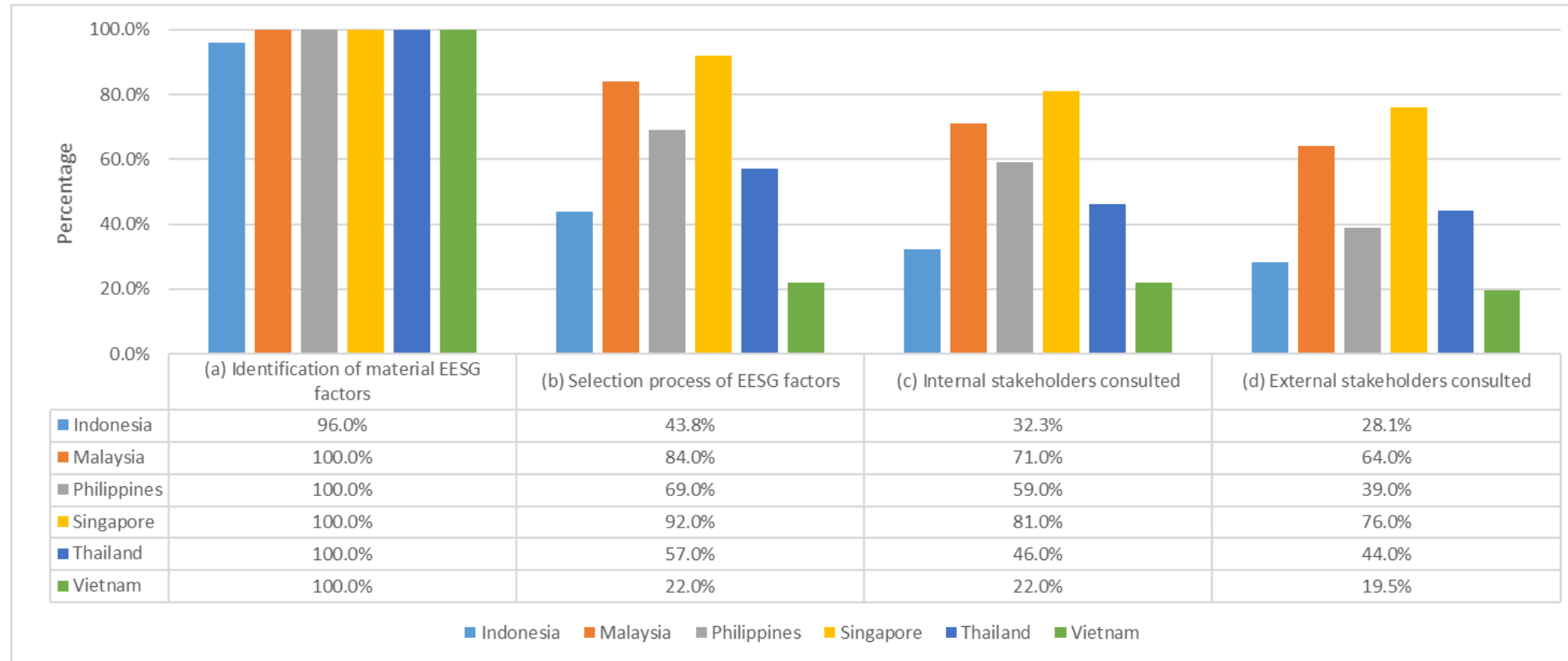
Employees are the most frequently-mentioned stakeholders for the companies in all six economies

	1st	2nd	3rd
Indonesia	Employees	Customers / Government & other regulators	
Malaysia	Employees	Investors	Customers / Government & other regulators
Philippines	Employees	Investors	Customers / Government & other regulators ¹
Singapore	Employees	Investors	Government & other regulators
Thailand	Employees / Investors		Customers
Vietnam	Employees / Investors		Community

¹ There is only a 1% difference between the share of Philippines-listed companies who disclosed the government and other regulators as stakeholders and those who disclosed the community as stakeholders

Materiality

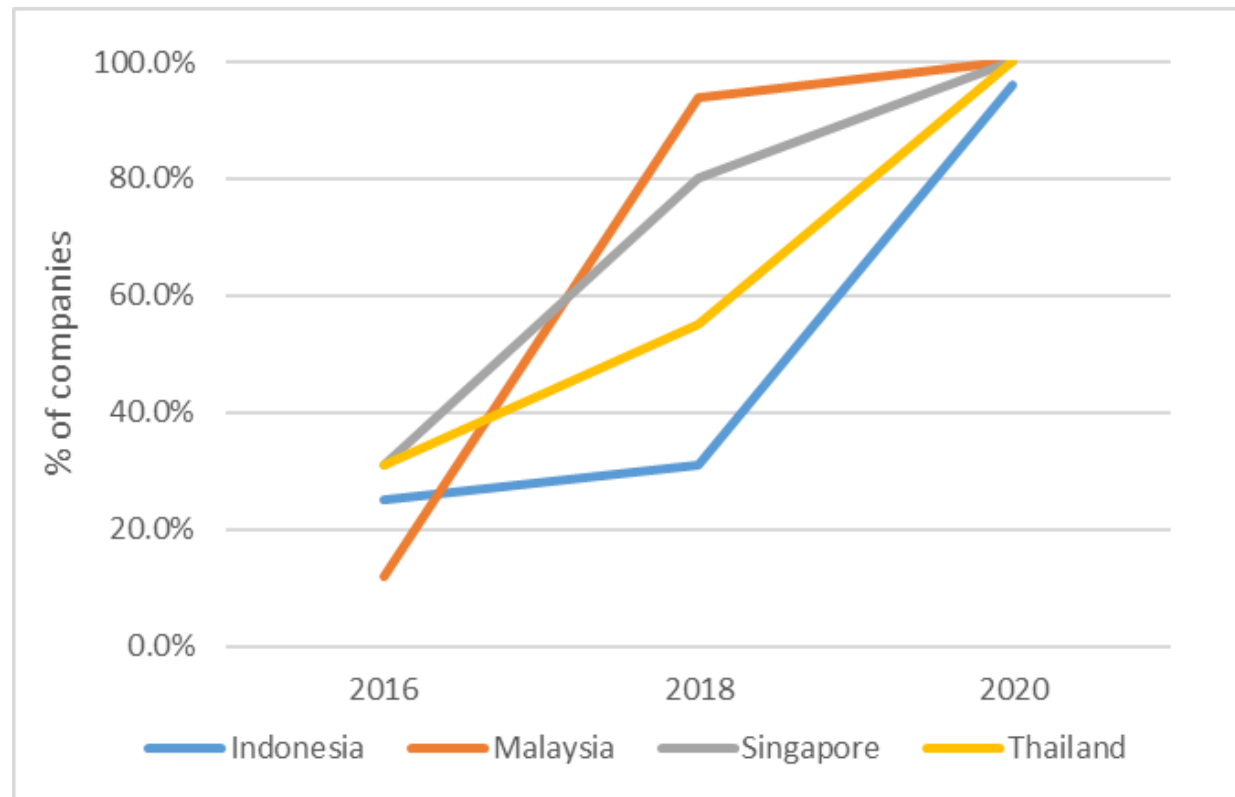
Disclosure of material topics uniformly high



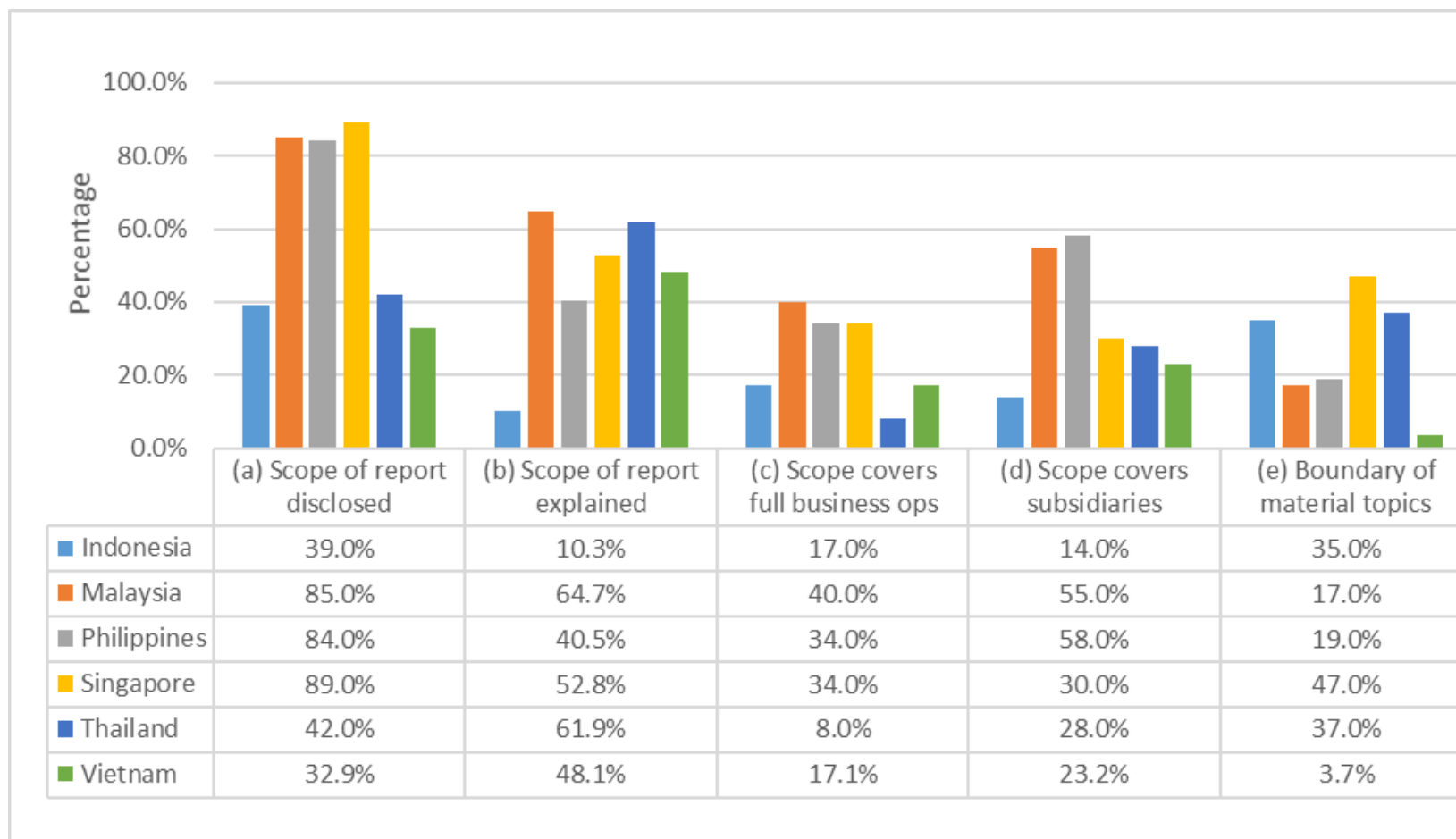
Note: Base for (a) is number of companies. Base for (b) to (d) is number of companies who disclosed their material topics

Disclosure Trend in Material Topics

Companies have improved in disclosure of material topics



Completeness

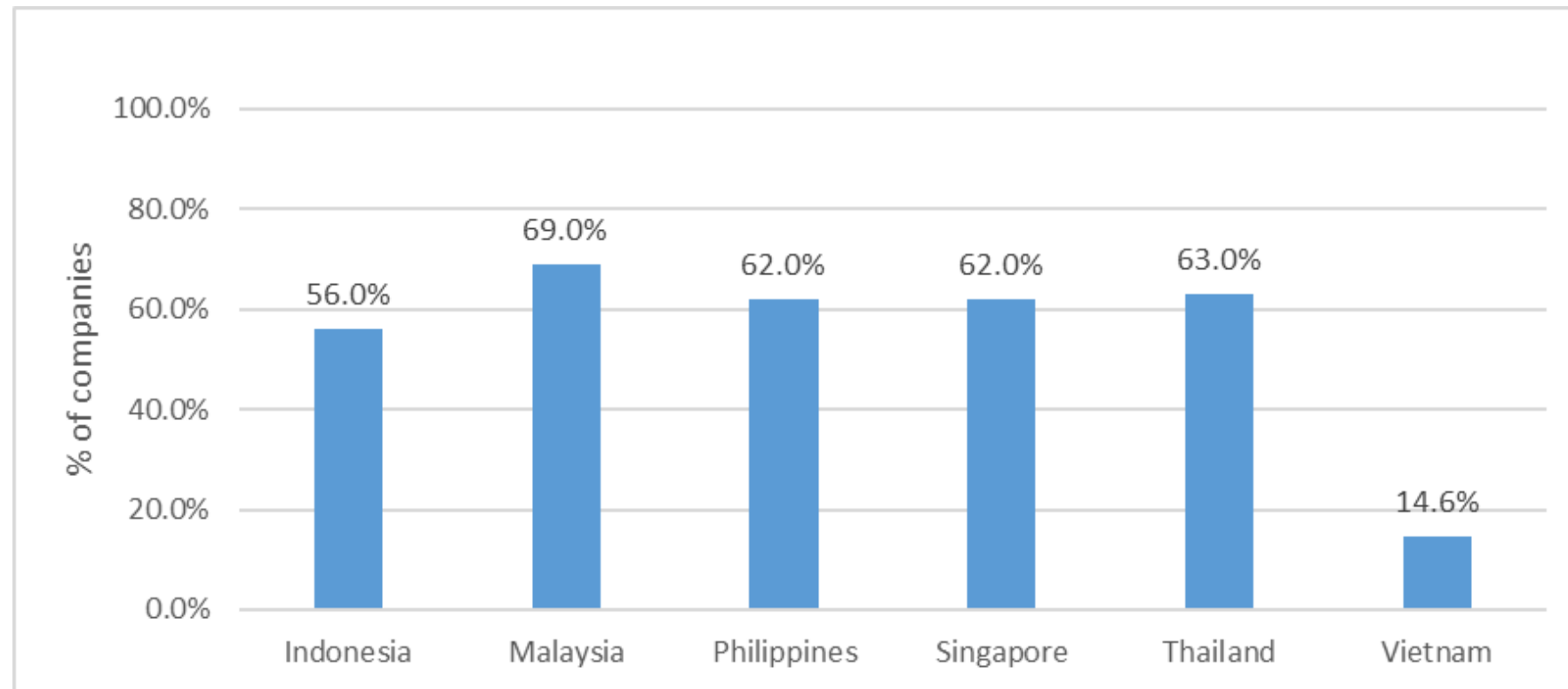


- Almost two-thirds of the companies disclosed their reporting scope
- Around half of these also explained their scope

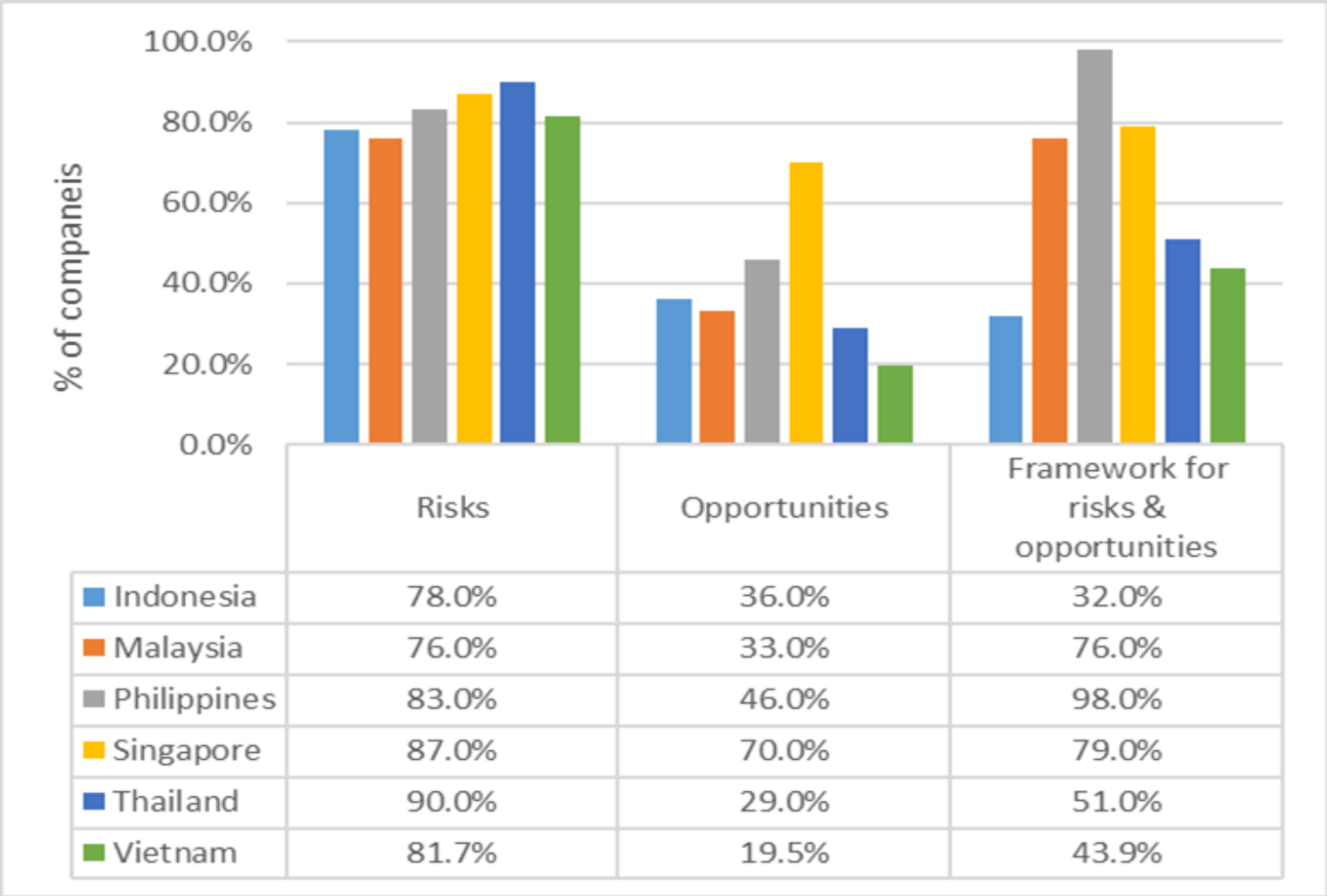
Note: Base (a) and (c) to (e) is number of companies; base for (b) is number of companies who disclosed their reporting scope

Balance (Unfavorable Disclosures)

More than half of the companies reported unfavorable disclosures



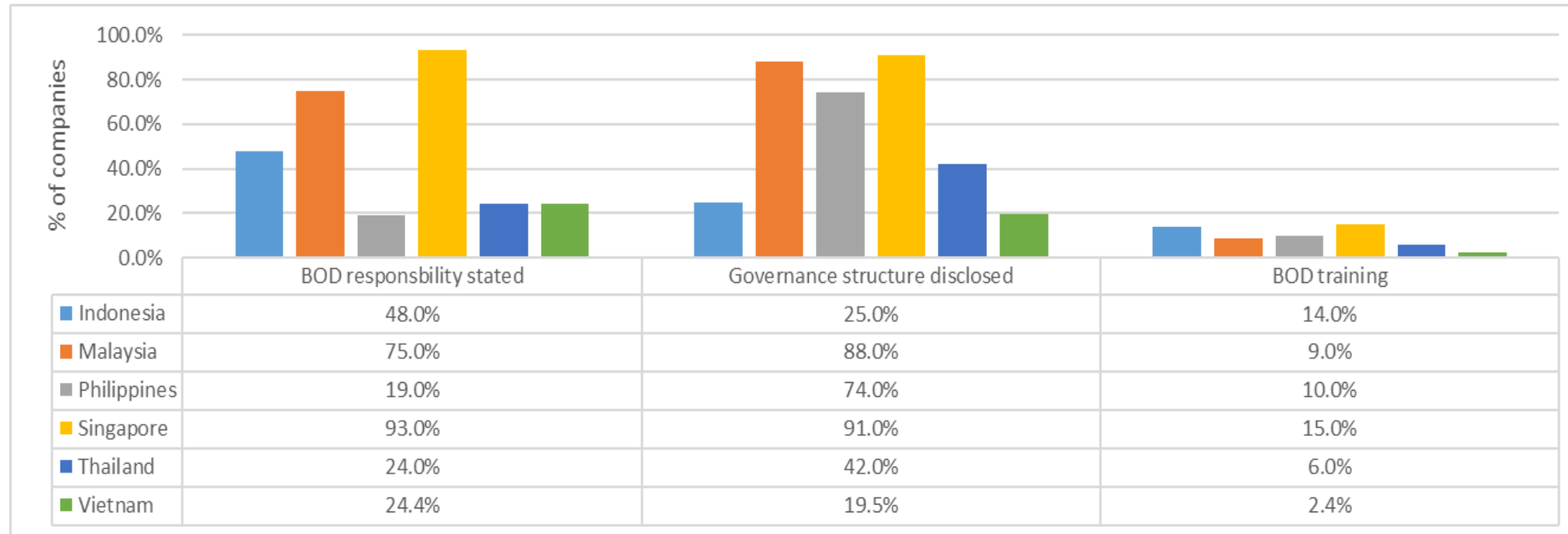
Risks and Opportunities



Companies have a much higher propensity to disclose risks vs. opportunities

Board Governance

Only around half the companies included a statement of board responsibility in their reports

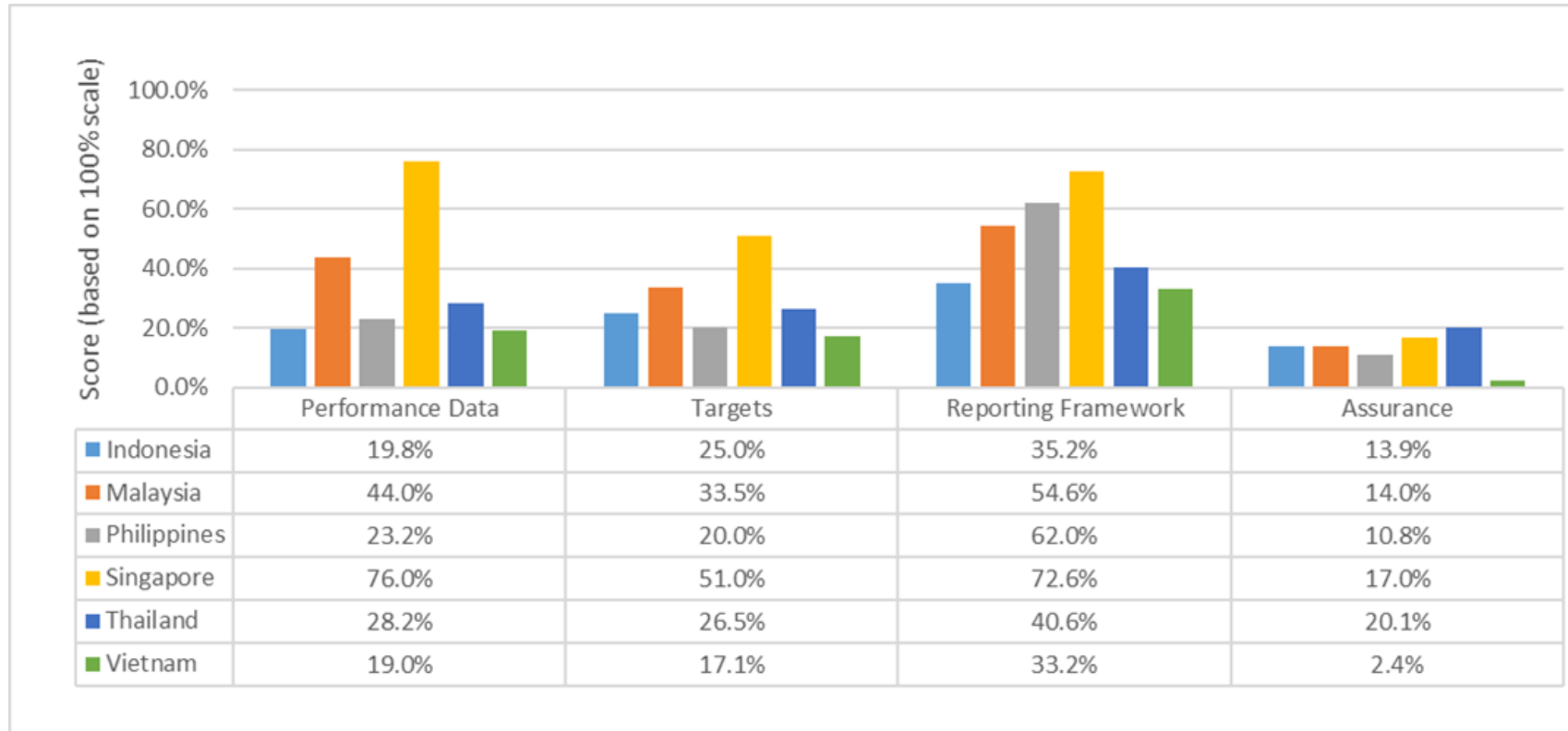


CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Results: Content in Disclosures

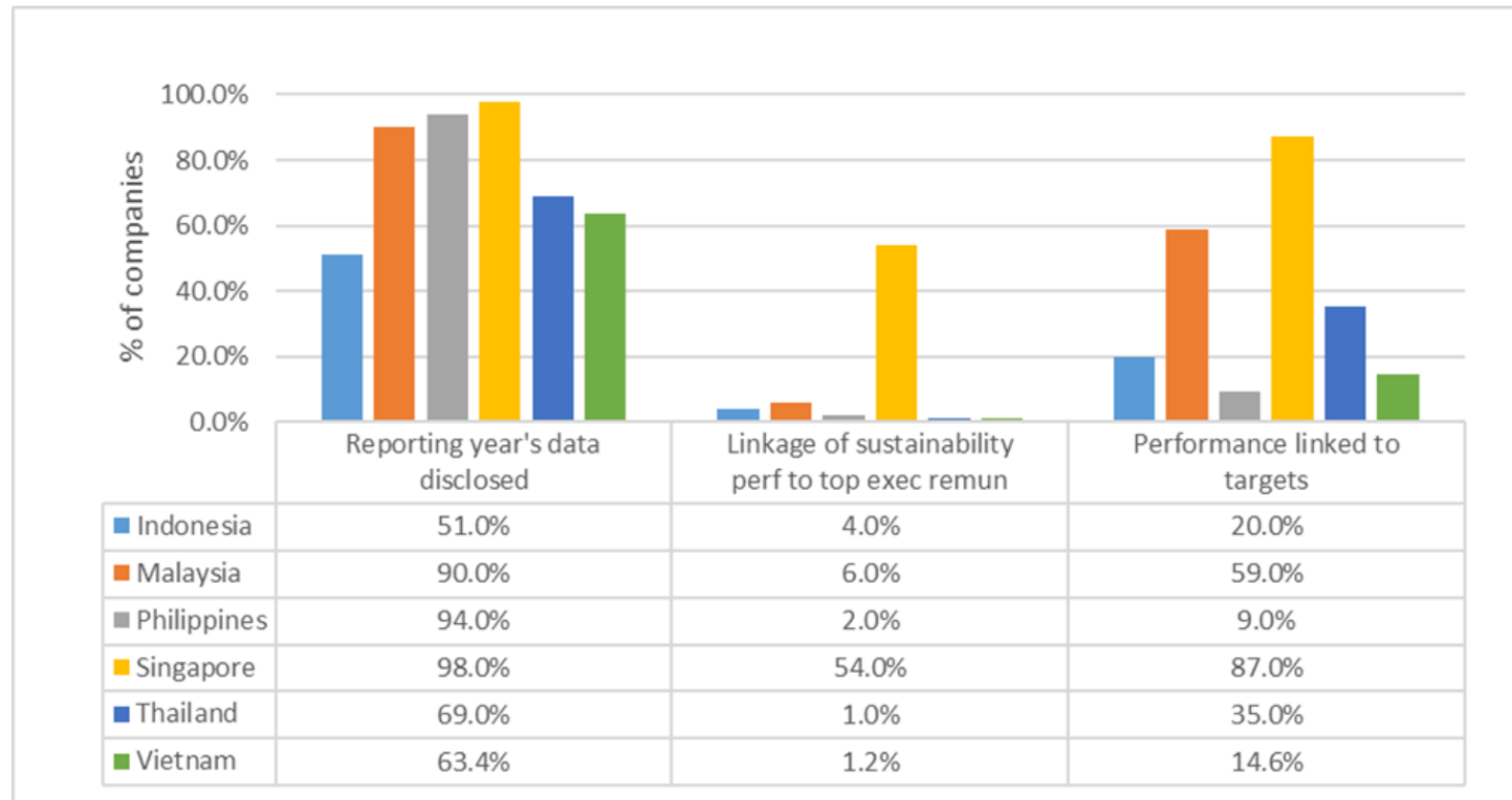
Scores for Components of Content

Highest average scores achieved in disclosures of reporting framework and performance data, lowest scores for assurance

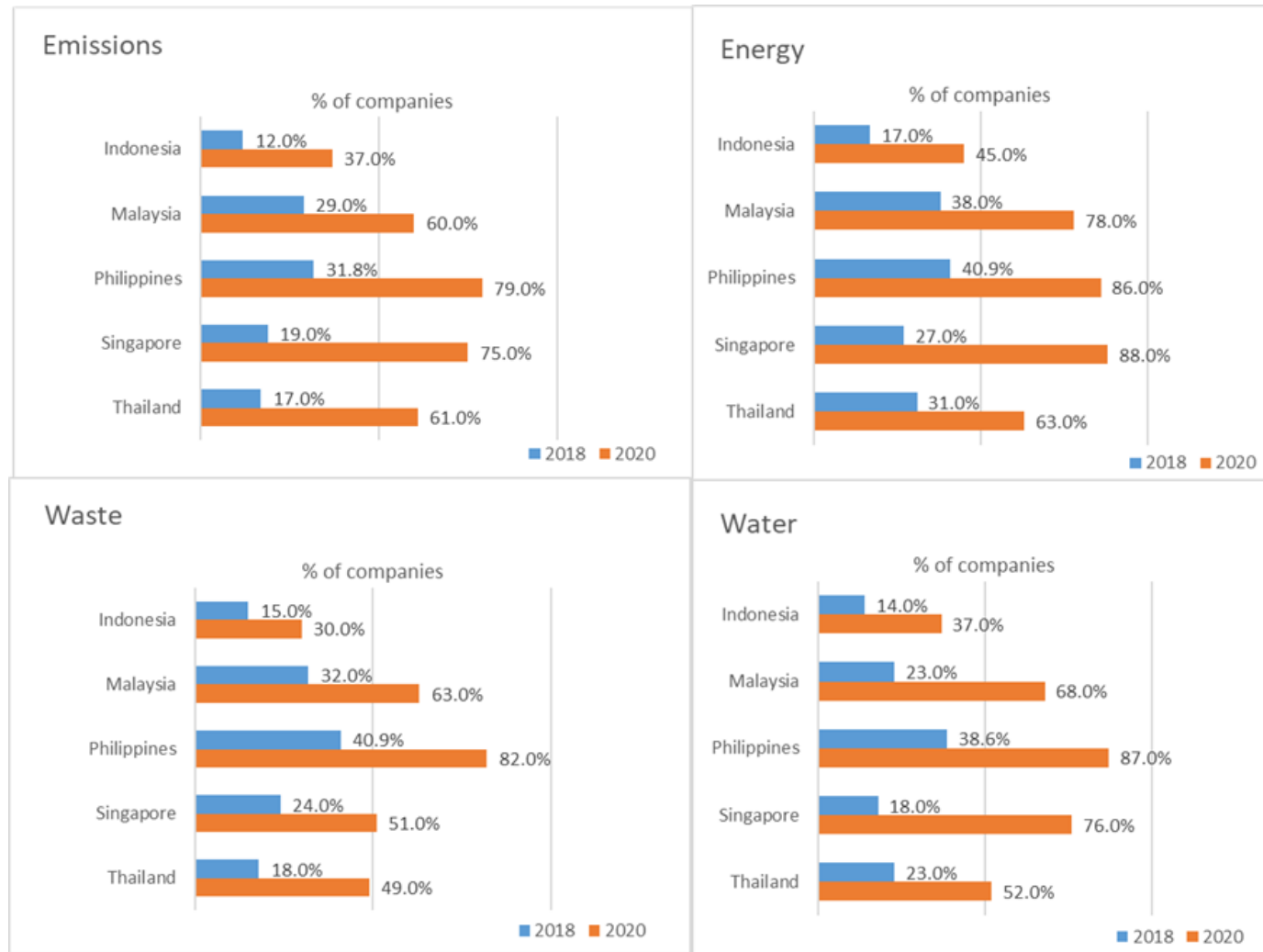


Performance

Most of the companies disclose their performance for the reporting period



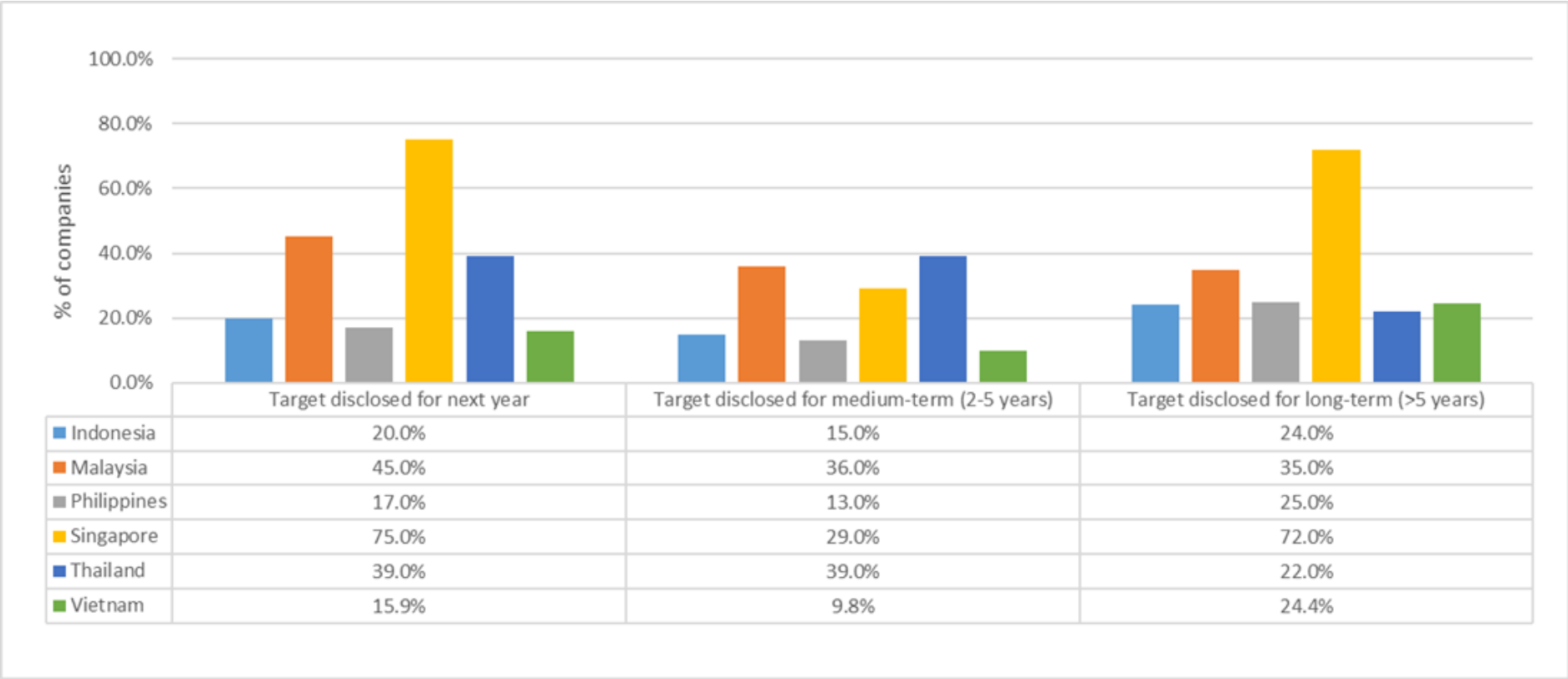
Disclosure of Performance – Environmental Indicators



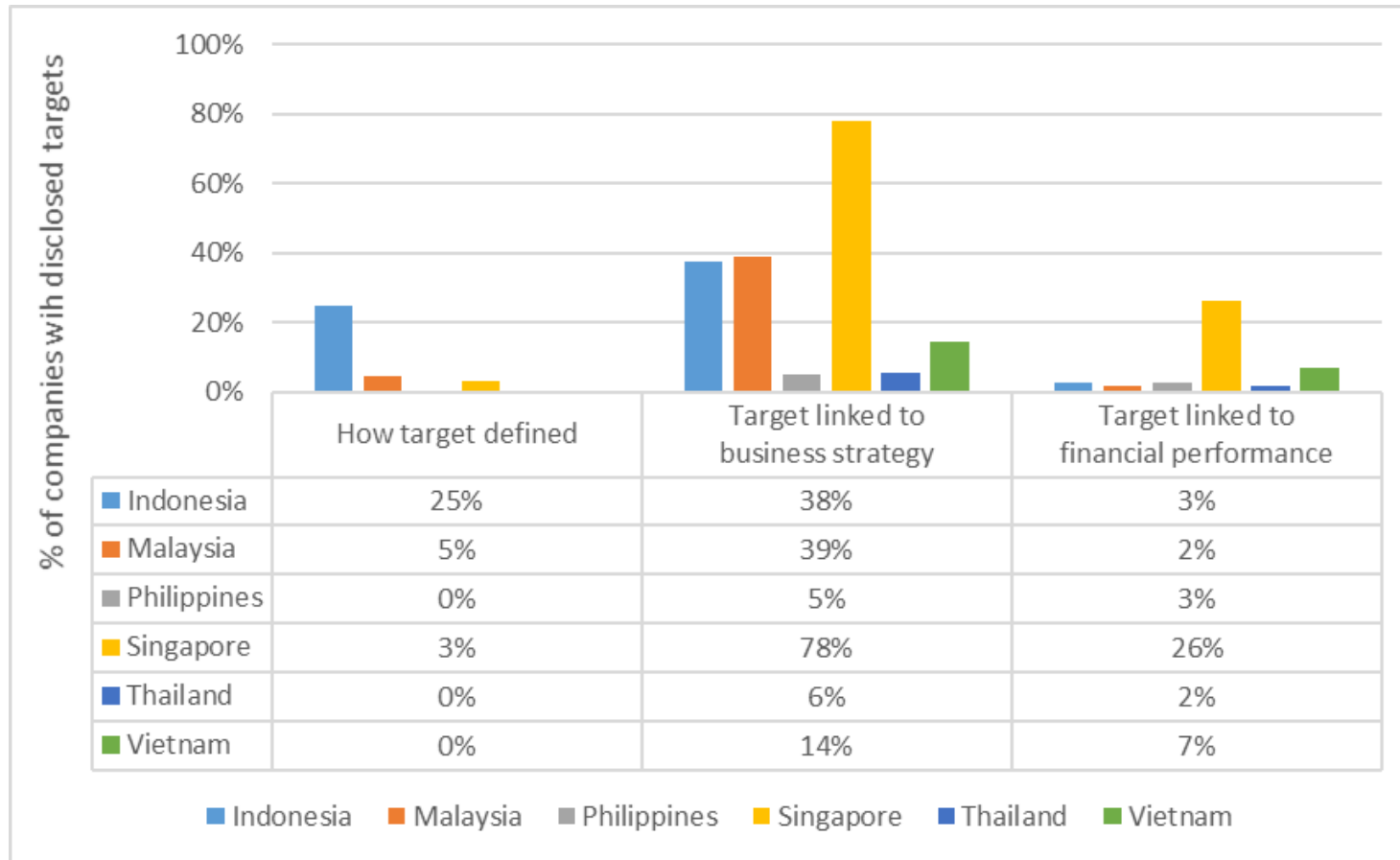
Increased propensity to disclose performance data (emissions, energy, waste, water)

Target-Setting: General

Just over half the companies disclosed targets in their sustainability reports

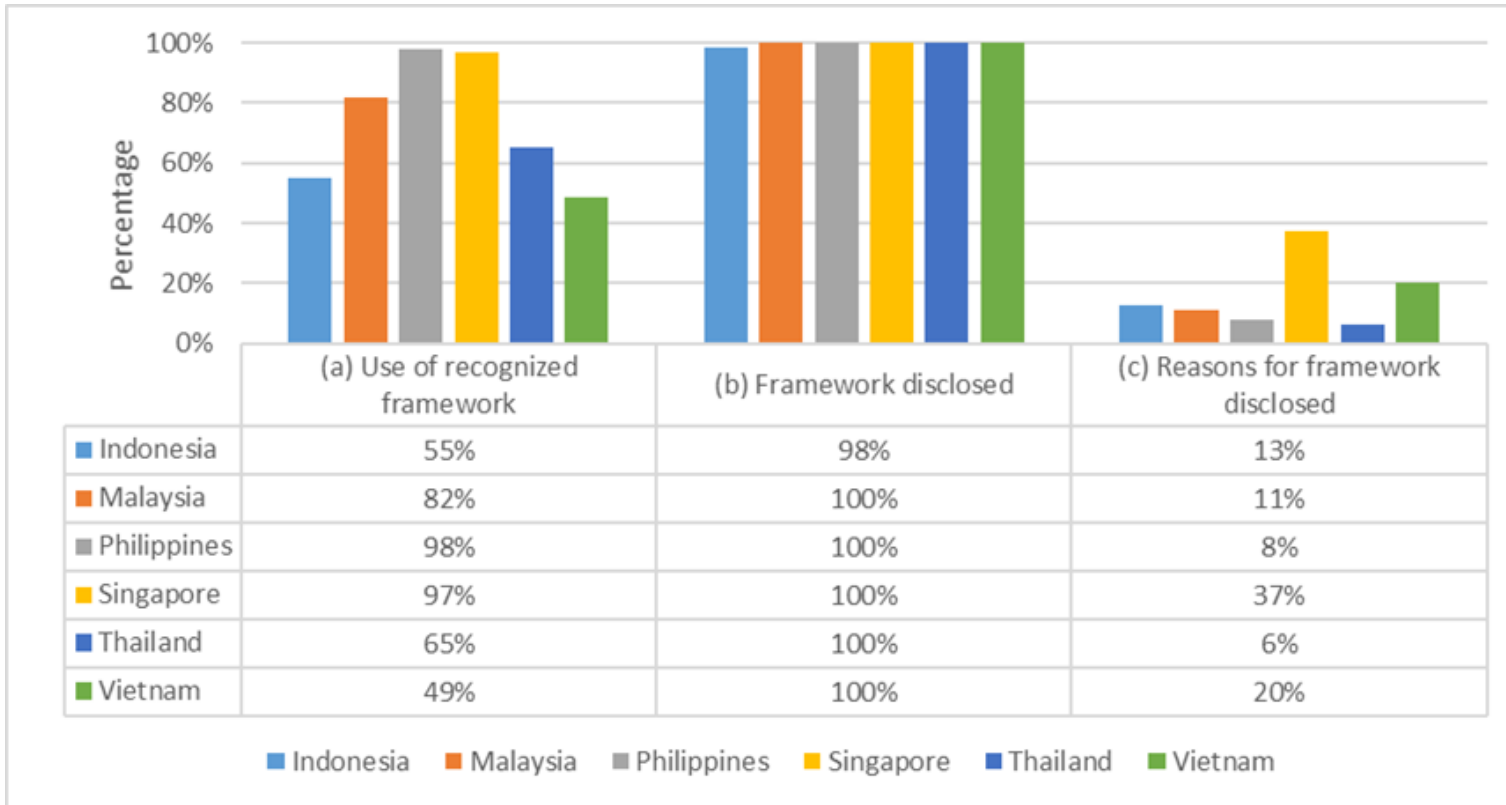


Target-Setting: Definitions and Linkages



In contrast, other target-related disclosures are less common

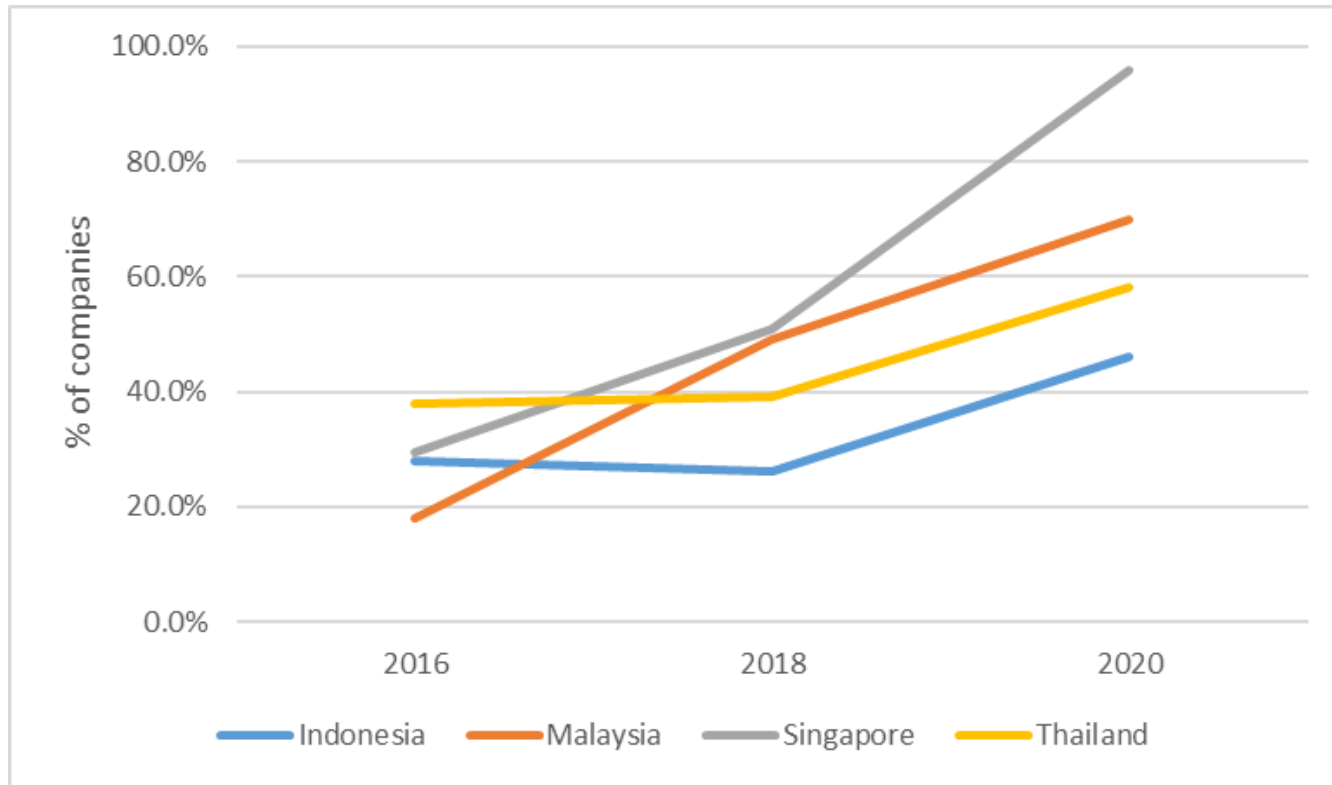
Reporting Framework



Use of credible frameworks has become a relatively standard practice

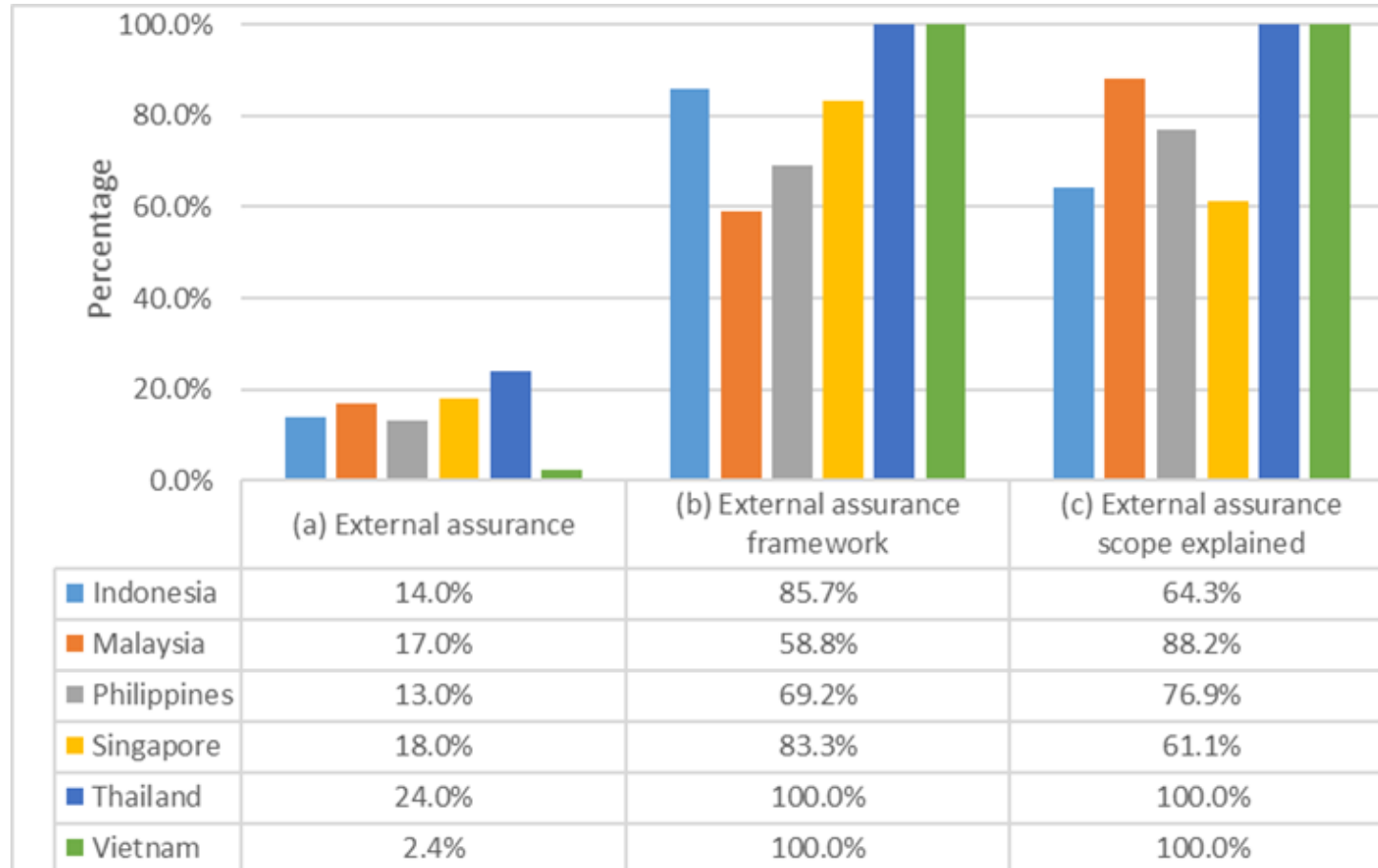
Note: Base of (a) is number of companies; base for (b) and (c) is number of companies who disclosed using a recognized reporting framework

Disclosure Trend in GRI Adoption



Growth in adoption of internationally-recognized frameworks reflected in increased use of GRI

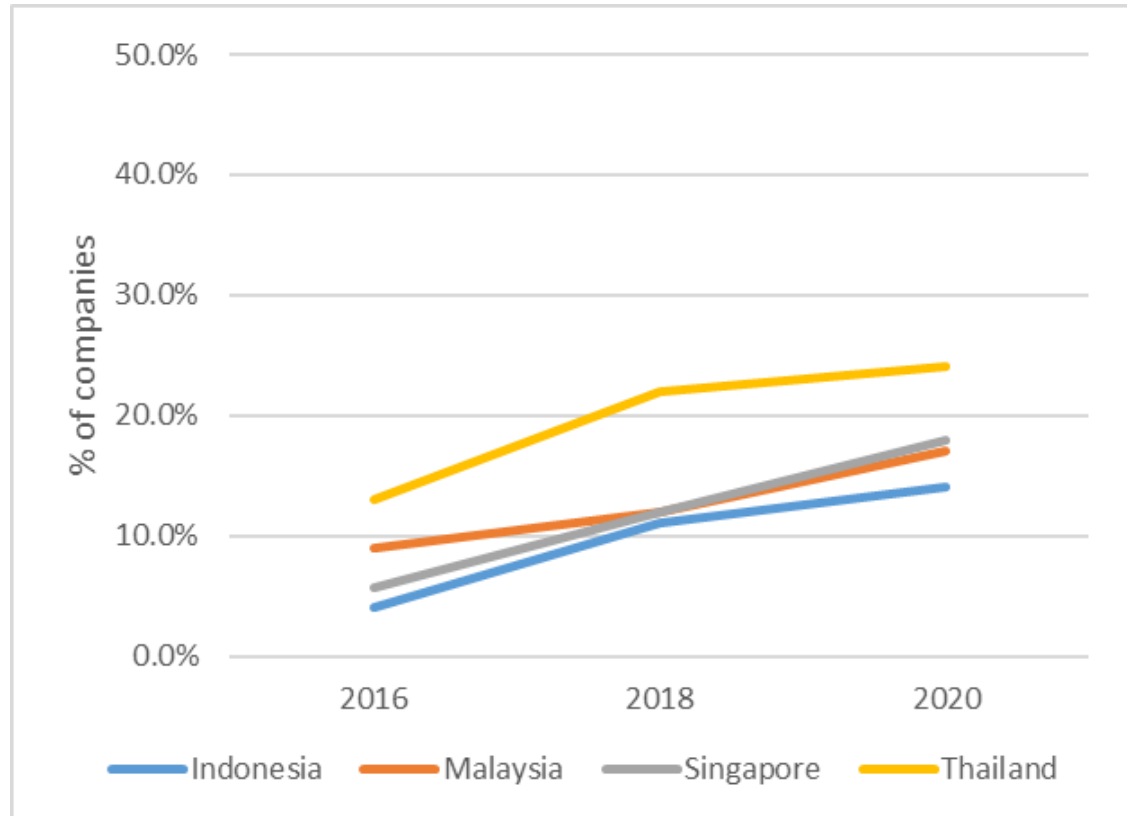
External Assurance



Despite the global trend, few companies obtained external assurance for their sustainability reports

Note: Base of (a) is number of companies; base for (b) and (c) is number of companies that have external assurance

Disclosure Trend in External Assurance



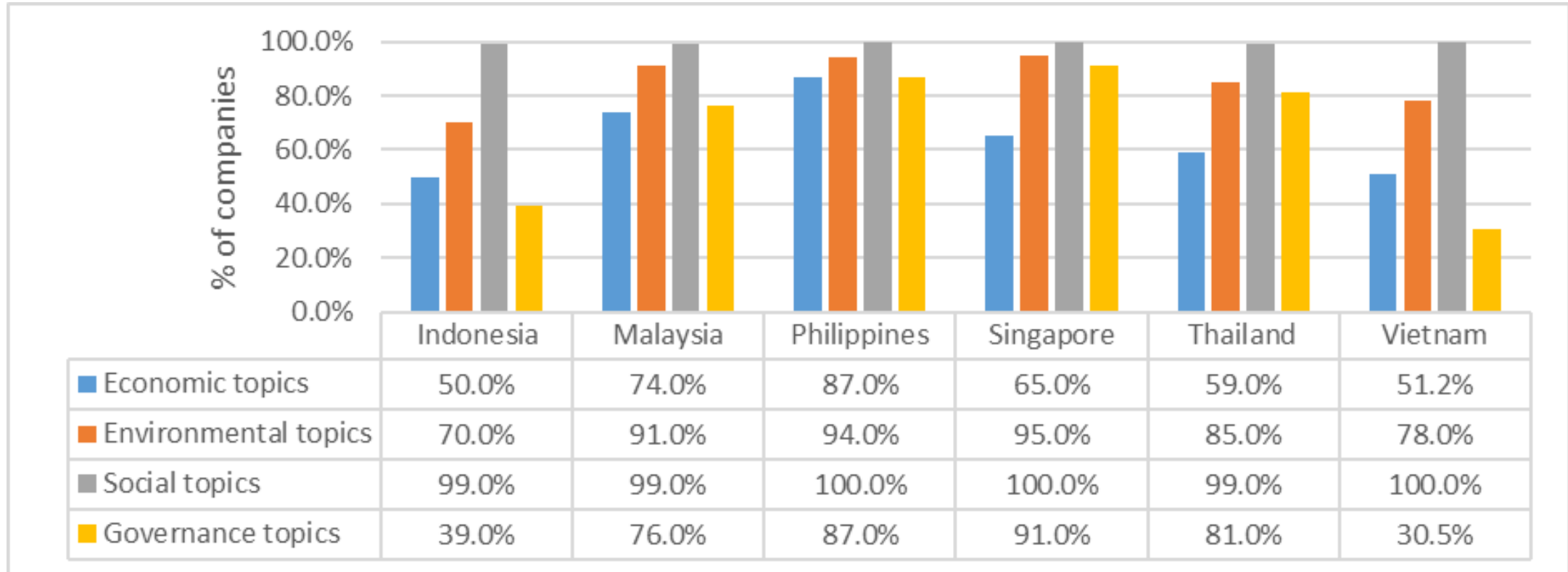
Nevertheless, there is steady progress in propensity to obtain external assurance

CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Results: Disclosure of EESG Topics

Disclosure of Material EESG Topics

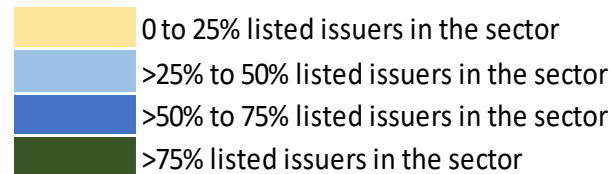
Companies have the highest propensity to disclose social topics



Material EESG Topics by Industry

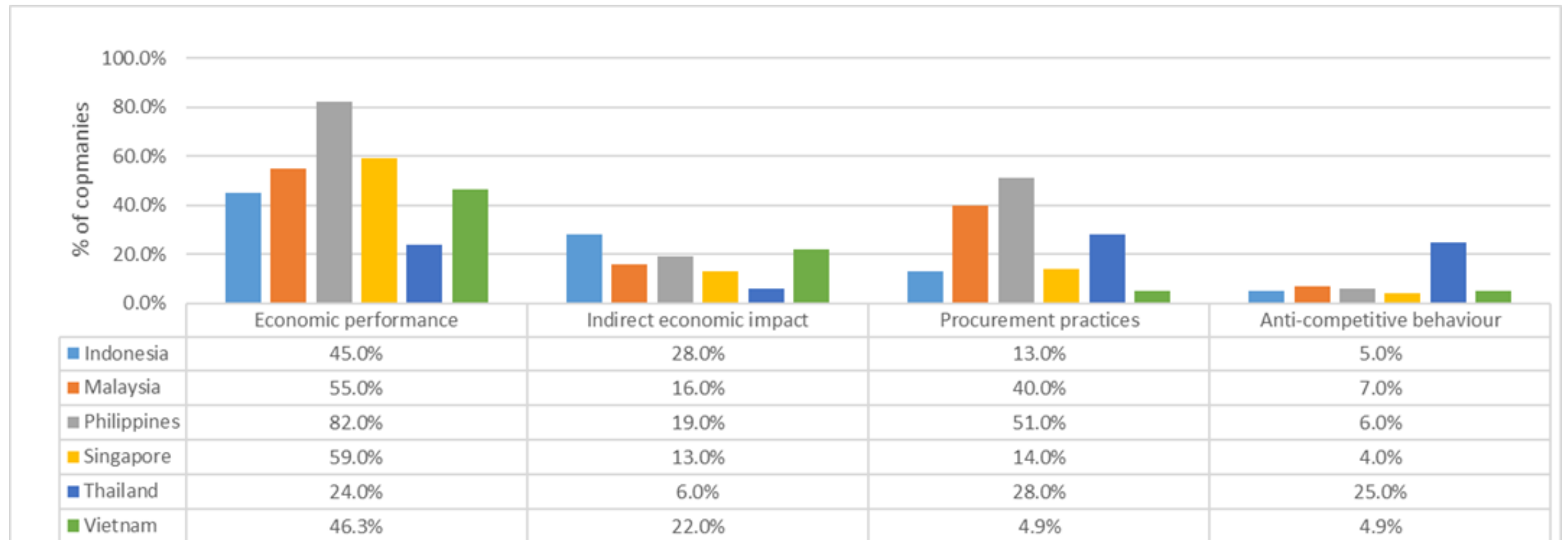
Material EESG Factors	Communication Services	Consumer Discretionary	Consumer Staples	Energy	Financials	Health Care	Industrials	Information Technology	Materials	Real Estate	Utilities	Grand Total
Econ 1. Economic Performance	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Econ 2. Indirect Economic Impact	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Econ 3. Procurement Practices	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Econ 4. Anti-Competitive Behaviour	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow	Yellow
Env 1. Material	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 2. Energy	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 3. Water	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 4. Waste & Effluents	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 5. Biodiversity	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 6. GHG Emissions	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 7. Climate Change	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 8. Environmental Compliance	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 9. Supplier Env Assessment	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Env 10. Product & Service Stewardship	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 1. Employment Practices	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 2. Labour Relations	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 3. Occupational Health & Safety	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 4. Training & Education	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 5. Diversity & Equal Opp	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 6. Human Rights	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 7. Local Community	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 8. Supplier Social Assessment	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 9. Customer Health & Safety	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 10. Marketing & Labelling	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 11. Client/ User Satisfaction	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 12. Cybersecurity	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 13. Product Innovation	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Soc 14. Digitalization	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Gov 1. Corporate Governance	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Gov 2. Anti-Corruption	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue
Gov 3. Regulatory Compliance	Yellow	Yellow	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue	Blue

Local community involvement most commonly cited as material across most industry sectors



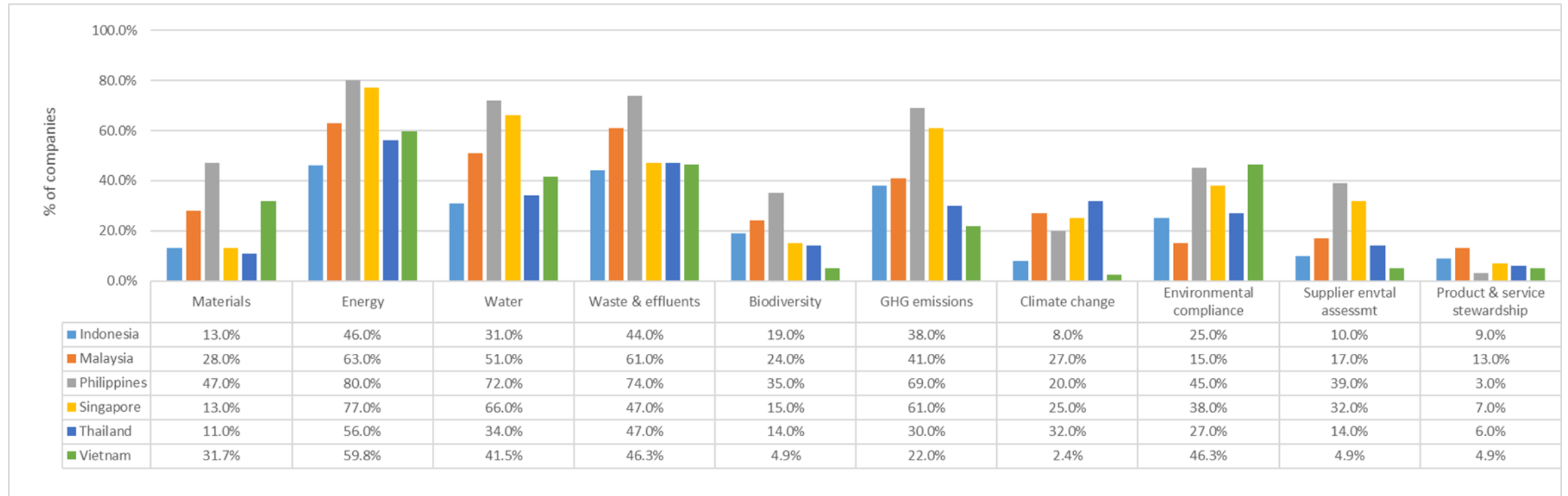
Material Economic Topics

Companies' main focus is on economic performance



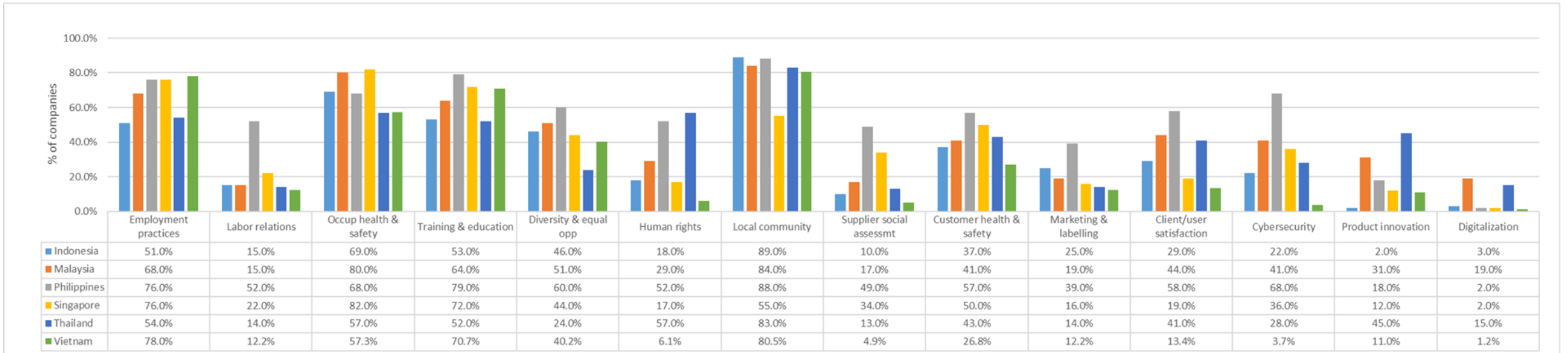
Material Environment Topics

Energy is the most commonly disclosed material environmental topic, followed by waste and effluents, water



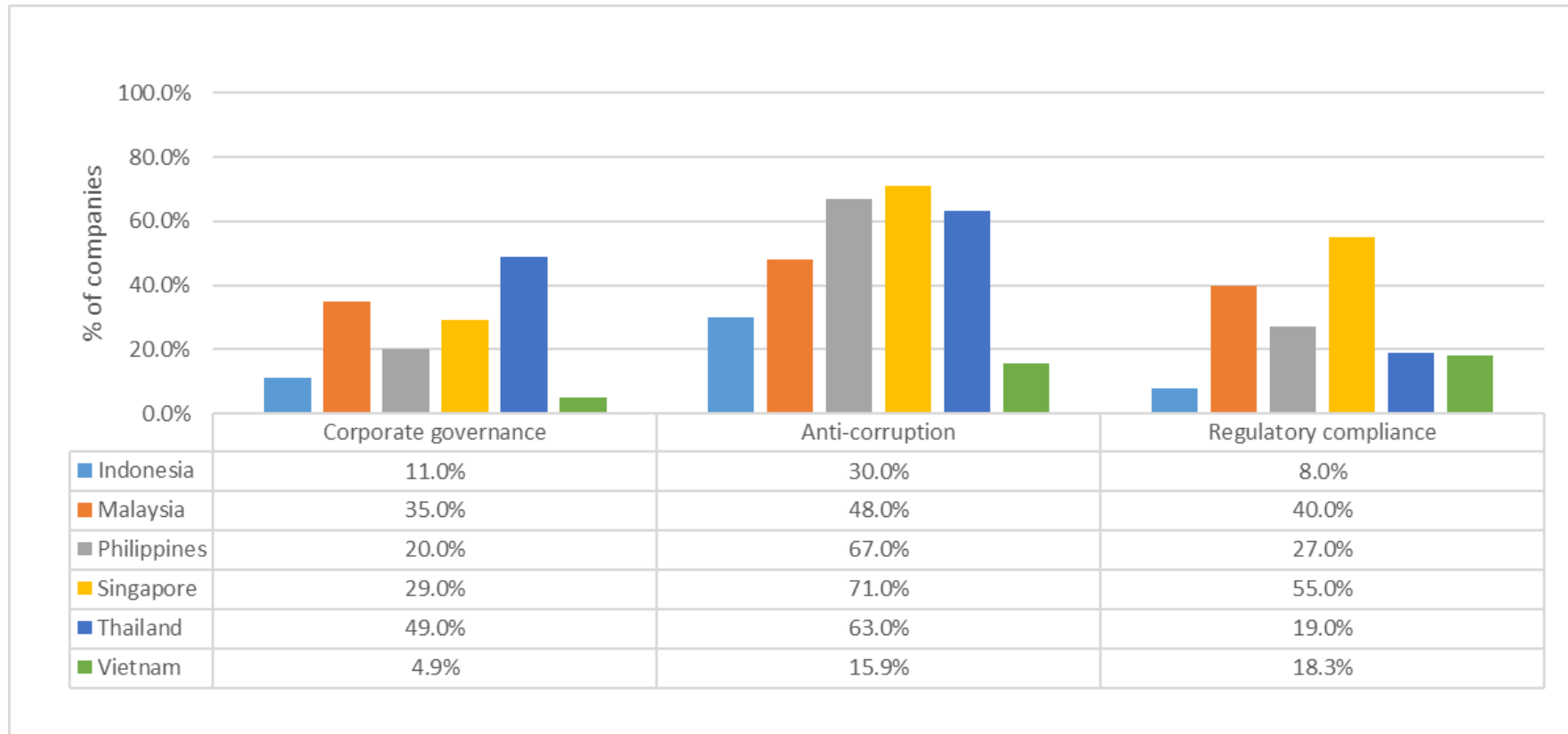
Material Social Topics

Local community involvement is by far the most commonly-cited material factor overall



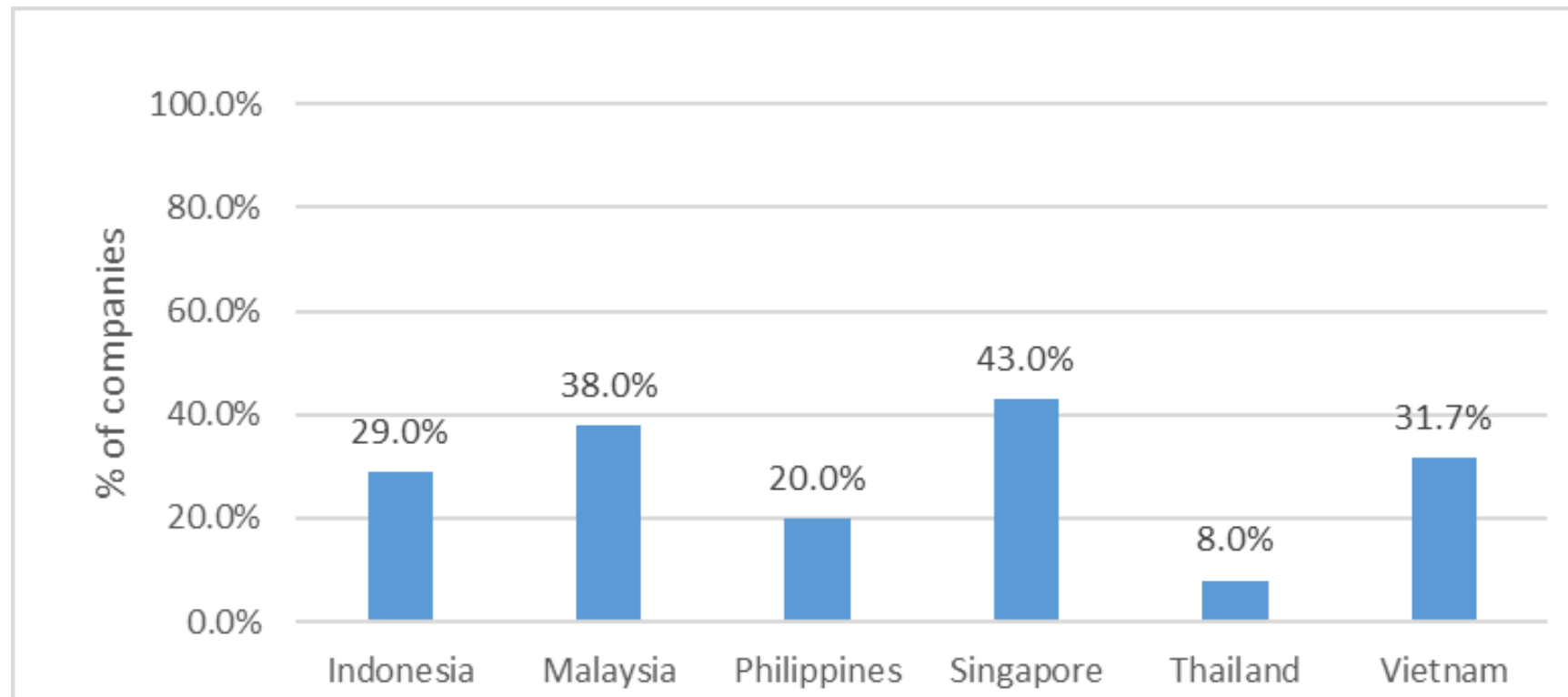
Material Governance Topics

Anti-corruption is the most commonly-disclosed material governance topic



Covid-19 Disclosures: General

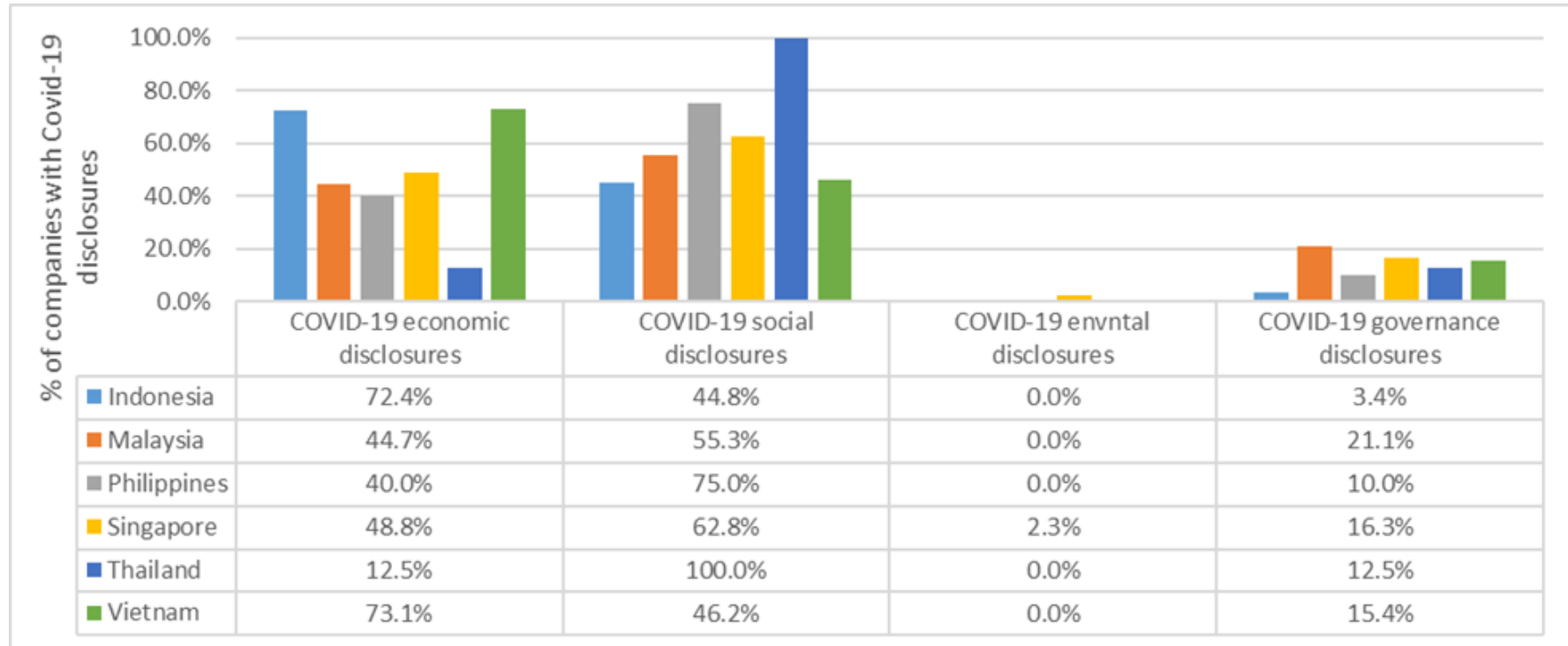
Assessments based on FY2019 reports → can be expect fewer disclosures on Covid-19



Only around one-quarter of the companies made pandemic-related disclosures

Covid-19 Disclosures: EESG Factors

Social and economic disclosures are the most prevalent



CORPORATE SUSTAINABILITY REPORTING IN ASEAN COUNTRIES 2020

Summary

Summary: Lowest Scores

Items With Lowest Scores	Reporting Principles	<ul style="list-style-type: none">• <i>Board governance</i>
	Content	<ul style="list-style-type: none">• <i>Assurance</i>

Summary: Highest Scores

Items With Highest Scores	Reporting Principles	<ul style="list-style-type: none">• <i>Materiality</i>• <i>Risks and opportunities</i>• <i>Stakeholder engagement</i>
	Content	<ul style="list-style-type: none">• <i>Reporting framework</i>• <i>Performance data</i>

Summary: Overall

- Stronger performance on reporting principles than on content of disclosures
- Higher rates of disclosure for more fundamental aspects of EESG reporting, e.g. identification of material topics and stakeholder groups
 - Lower rates for providing rationale behind disclosures, e.g. processes used to select material topics and identify stakeholders