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NUS BUSINESS SCHOOL HOMECOMING 2025

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MASTERCLASS

From ESG to EESG Incorporating Economics into Sustainability

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What Sustainability?

Is Sustainability in Crisis?

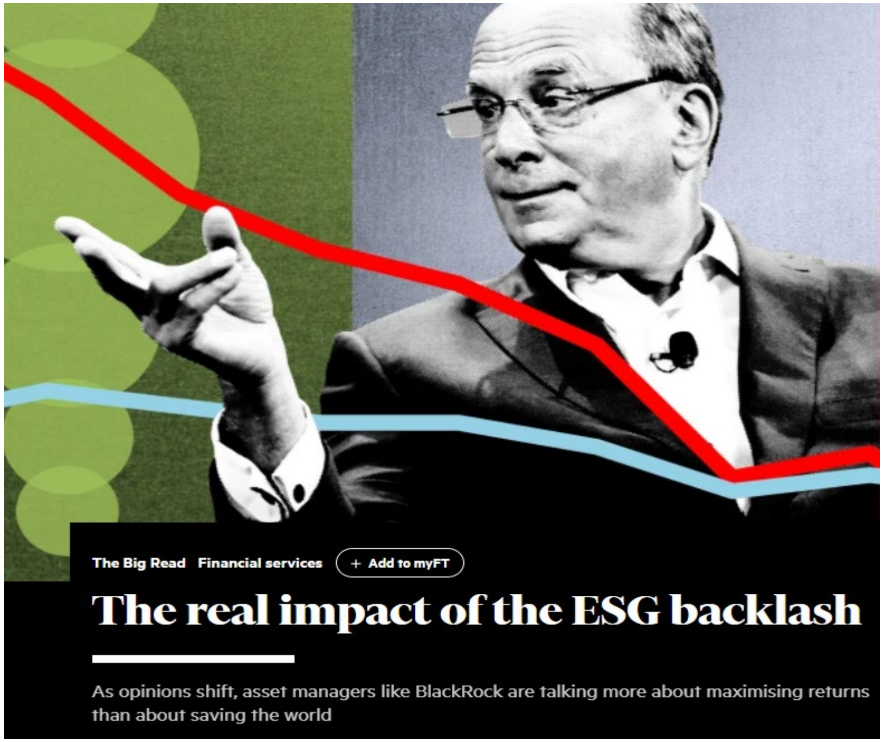
Trump says he will unleash American fossil fuels, halt climate cooperation

WASHINGTON, Jan 20 [2025] (Reuters) - President Donald Trump on Monday laid out a **sweeping plan to maximize oil and gas production**, including by declaring a national energy emergency to speed permitting, **rolling back environmental protections**, and **withdrawing the U.S. from an international pact to fight climate change**.

"We will bring prices down, fill our strategic reserves up again right to the top, and export American energy all over the world," he said.

Before Trump became President earlier, he said: "The concept of global warming was created by and for the Chinese in order to make U.S. manufacturing non-competitive."

FT FINANCIAL TIMES



The anti-ESG backlash has captured public attention and opened up a transatlantic rift.

Ex-BlackRock research head: ESG's 'biggest sin' is conflating finance, impact and ethics

28 June 2023

BlackRock CEO blacklists 'the word ESG'

Larry Fink's statement is likely to cause some upheaval as the US ***asset management giant still runs hundreds of investment funds with an explicit ESG strategy***

[Earlier]… **Fink promised "a fundamental reshaping of finance" that would put "sustainability at the centre of our investment approach".**
Corporate America and investors quickly followed suit, scrambling to sign up to net zero carbon plans and launching funds that included environmental, social and governance (ESG) factors in their investment decisions.

2 December 2023

Investment & Pensions Europe
26 January 2024

Investors bemoan ExxonMobil legal move against shareholder climate resolution

Oil and gas major says it turned to court in bid to 'stop abuse' of shareholder proposal process

- **European asset owners are unimpressed** by ExxonMobil's decision to turn to the courts to try to block a climate shareholder resolution from going to the vote at its annual general meeting (AGM) ...
- … the oil and gas major is asking a judge in Texas to **rule that a shareholder resolution filed by Arjuna Capital and Follow This should not make it onto the agenda of its AGM** ...
- … resolution calls on ExxonMobil to accelerate the pace of emission reductions in the medium-term across Scopes 1, 2 and 3, and to "summarise new plans, targets, and timetables" …

Is ESG Game Over?

Environmental

Renewable fuels

Greenhouse gas (GHG) emissions

Energy efficiency

Climate risk

Water management

Recycling processes

Emergency preparedness

Social

Health and safety

Working conditions

Employee benefits

Diversity and inclusion

Human rights

Impact on local communities

Governance

Ethical standards

Board diversity and governance

Stakeholder engagement

Shareholder rights

Pay for performance

Move Over ESG, It's EESG

Sunday, May 5, 2024

THE STRAITS TIMES

By Lawrence Loh

What's missing in ESG? Economics, of course

Some businesses and their shareholders feel ESG has been weaponised. It's time to take a more balanced approach.

Lawrence Loh

It is apparent that in the contest between economics and ESG, the former has won. Shareholders, whether rightly or not, prefer financial returns as an overemphasis on sustainability may decrease business performances.

ESG is pushing 20. The widely used acronym for "environmental, social and governance", ESG was introduced in the report Who Cares Wins, which was published by the Global Compact of the United Nations in 2004.

Since then, ESG has influenced practices in companies and countries. It is an easy-to-use operational framework for the more abstract notion of sustainability.

Yet, ESG has almost taken on a life of its own and is often pursued as an end in itself. But that can backfire because ESG misses a vital part of the puzzle – economics. To keep that key in mind, we should recast ESG as "EESG", with economics firmly in the frame.

BUSINESS IMPERATIVE

As a starting point, there can be no sustainability if there is no business to begin with (business here is used in the broad sense to cover for-profit and non-profit entities, including public sector agencies and non-governmental organisations).

Business needs finance as its lifeblood, and this is where adding economics is critical to balance the ESG aspects of sustainability.

Consider recent business episodes that cast economics squarely into the sustainability equation.

In January 2024, the Texas oil giant ExxonMobil, which is well known by its trading name of Esso, filed lawsuits against climate activists in an effort to remove what the company described as an "extreme agenda" for its annual general meeting (AGM). The activists had pushed for an accelerated greenhouse gas emissions cut, which the company felt would not serve investor interests.

In its most recent AGM in 2023, ExxonMobil shareholders rejected all 12 climate-related resolutions, which included calls for the company to align with the Paris Agreement goals – the critical centrepiece of the international accord for countries to commit to reduced emissions to fight climate change.

Interestingly, also at their latest AGMs, other big oil companies like California-based Chevron – known for its petrol brand of Caltex – and Shell have seen shareholders voting against climate action proposals.

It is not just the big oil firms that are doing it.

Comcast, the multinational telecommunications and media monolith – which owns and operates famed brand names like CNBC, Universal Pictures and DreamWorks Animation within its gigantic business portfolio – has also seen its shareholders reject climate-related initiatives.

ECONOMIC BATTLE

It is apparent that in the contest between economics and ESG, the former has won. Shareholders, whether rightly or not, prefer financial returns as an overemphasis on sustainability may decrease business performances.

The tension is even more pronounced when we see that the world's largest asset management company – BlackRock – has literally blacklisted the word "ESG". It is not that it does not believe in ESG any more; it is just that the term has become a contentious battleground. As BlackRock chief executive Larry Fink starkly puts it: "I don't use the word ESG any more, because it has been entirely weaponised."

The war about ESG is fought over economics, and I say: Why don't we just use "EESG" so that all can consider the entirety of the equation and resolve the tension? What if we can even demonstrate that sustainability and profitability are not mutually exclusive but can perfectly coexist?

PERFORMANCE EFFECT

Most academic business research seems to reveal positive relationships between sustainability and business performances.

A Harvard Business School study analysing 180 companies over 18 years discovered that firms which prioritise sustainability outperformed their peers in the long run – they had better financial performance through return on assets and return on equity.

Climate activists protesting in September 2023 outside the headquarters of the world's largest asset management company, BlackRock, in New York City. BlackRock chief executive Larry Fink has said: "I don't use the word ESG any more, because it has been entirely weaponised." PHOTO: REUTERS

Another study, by MSCI ESG Research, established that companies with higher ESG ratings have lower costs of capital, which suggests that investors may view them as less risky.

In the Singapore context, in a published study co-authored with researchers Thomas Thomas and Wang Yu, I found that there is a significant and positive relationship between sustainability reporting and market value among listed companies here. This same result was also obtained for the quality of the reporting. The relationship seems to be independent of broad industry classification and firm status, such as whether the entity is a government-linked corporation or a family business.

In a separate published study of Singapore-listed companies together with co-author Sharmine Tan, I have determined that adoption and quality of sustainability reporting led to better brand value. A lag effect is also present, which connotes that the performance impact takes time.

The two studies form an interesting compendium that covers both investor and consumer angles in the economic conundrum of ESG. Indeed, economics and ESG can swim in the same lake and are not necessarily at odds with each other.

VALUATION PUZZLE

But again, the relationship is not straightforward if we nail it down to a very specific domain that is key to the fight against climate change – the palm oil sector.

In the most recent published study, my co-author Tricia Chong and I found a valuation discount for global palm oil companies that disclose more ESG. We used an established ESG framework known as Sustainability Policy Transparency Toolkit, or Spott, developed by the Zoological Society of London, together with valuation data from Thomson Reuters.

Strikingly, we found a significant negative relationship between ESG transparency and firm valuation. In other words, the more transparent a firm is on ESG, the poorer its valuation. This relationship is even stronger among the larger palm oil companies.

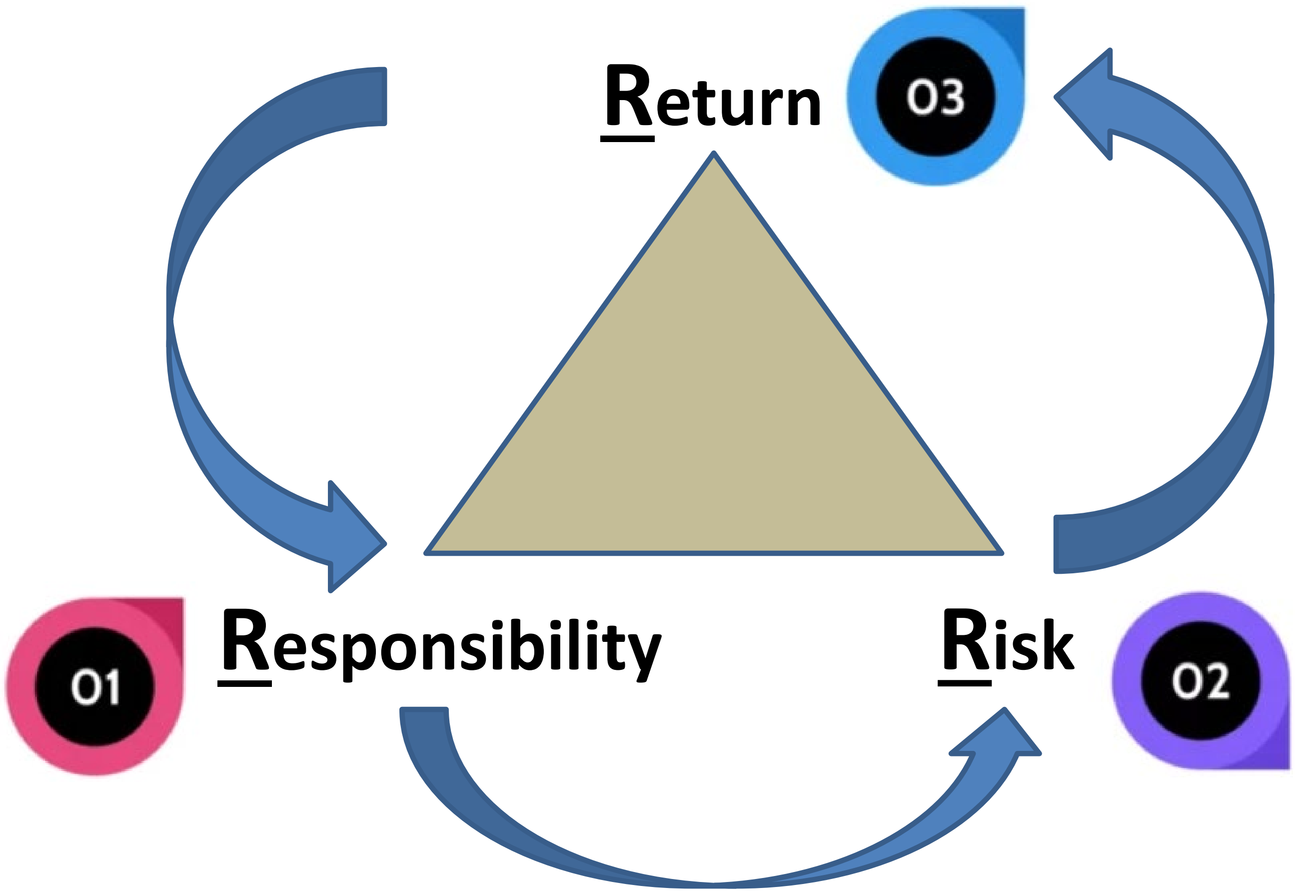
The study results connote a stark reality of EESG – economics can overwhelm ESG in certain circumstances which validate shareholder tensions at the big oil, telecoms and media companies.

That is because sustainability is not just about environmental sustainability, but is more about the business which needs the lifeblood of finance.

That is why ESG must integrate economics into its fold. EESG is the way to go, but the colour of money has to be green too.

• Lawrence Loh is director of Centre for Governance and Sustainability at NUS Business School where he is also professor in practice of strategy and policy.

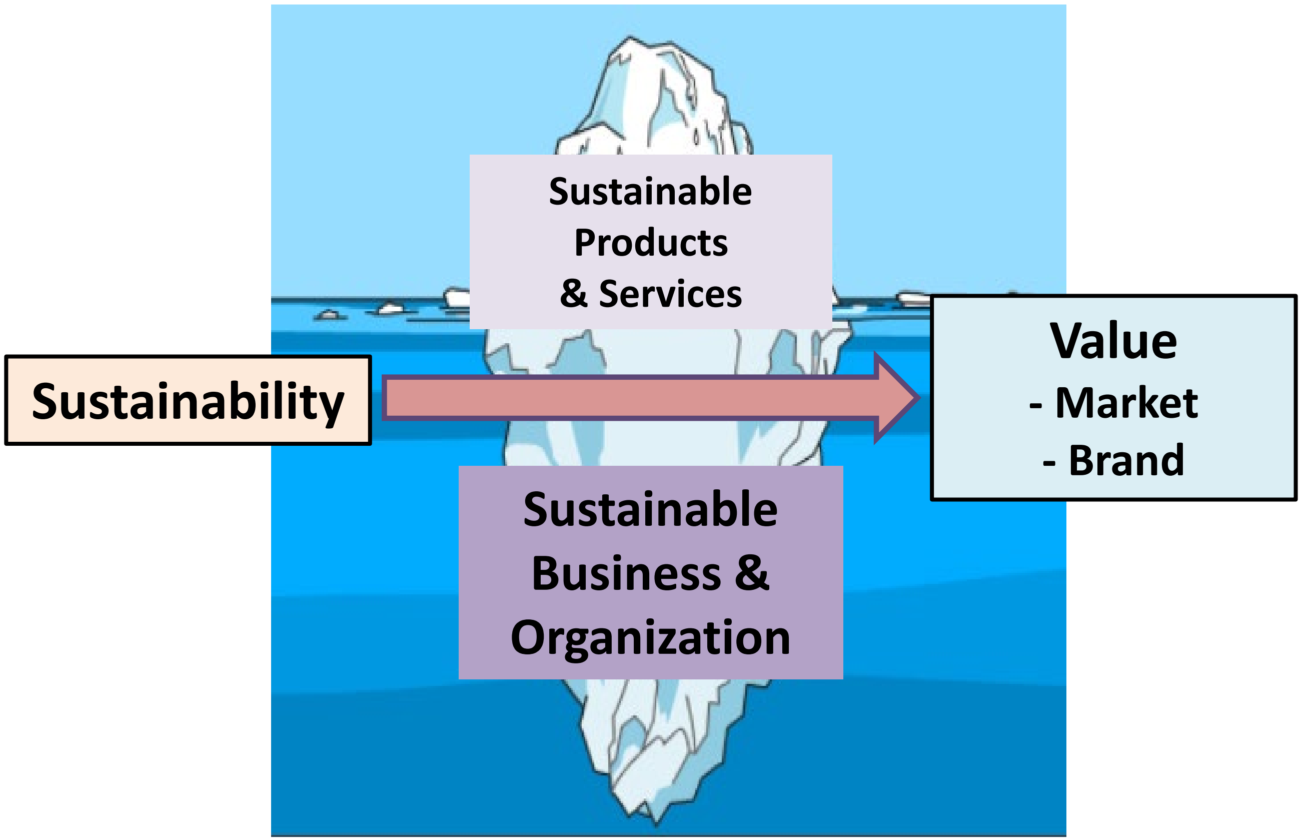
Loh's "3R" Approach for Sustainable Literacy



1. Responsibility for Sustainability

2. Risk for Sustainability

3. Return on Sustainability



Businesses Need Business Case

An Early Plea

THE BUSINESS TIMES

Thursday, Nov 21, 2019

Building the business case to fight climate change

Beyond responsibility and risk, the rationale of benefit is key. Companies must see that it is in their very own self-interest to take on climate change. BY LAWRENCE LOH

THE recent US$2 billion commitment by Singapore to drive sustainability, particularly green finance, could not have been made at a more critical time. It came at the heels of an unprecedented warning by 11,258 scientists across 153 countries that our planet faces a climate emergency.

Businesses will now have to go back to the drawing board to reassess the emerging threats from climate change as well as map out responses demanded by stakeholders. Most significantly, they have to build a new case to fight climate change that goes beyond responsibility and risks.

Real anguish

For businesses, the starting point to consider climate change is normally via sustainability. Along this vein, I remember advocating the importance of sustainability even with the smaller enterprises. There was a memorable rebuttal from a printing company CEO. He proclaimed that if his company embraced sustainability, he would have to close his business. He further retorted that his greatest enemy is the PDF file format which greatly affected his paper printing business.

The reaction epitomises the real sentiments, even anguish, amongst companies on sustainability. To them, it is basic survival that matters first. Sustainability is for the rest of the world but leave me alone to upkeep the business – goes the sentiment so often felt.

I can imagine that the "not-for-me" free-riding syndrome will be even more protracted in the battle against climate change. If anything, the impact is distant and indirect. It will be difficult to conceive that business leaders will commit to fight climate change fully and immediately.

Needed action

Climate change is not a new revelation overnight. The major initiating milestone was the United Nations' Earth Summit held in Rio de Janeiro in June 1992 where countries sought to reduce damage to the environment, especially in the use of fossil fuels.

But the key turning point was the Paris Agreement in 2015 which aimed to keep global temperature increase to below 2 deg C above pre-industrial levels and to pursue an even more stringent limit of 1.5 deg C. While this agreement has been cited just too frequently, it often goes unnoticed that each of the signatory countries, including Singapore, must act and regularly report on its efforts.

The greatest push at the home front to combat climate change came from Prime Minister Lee Hsien Loong at his National Day Rally in August 2019. Mr Lee highlighted, in particular, the potential sea level rise that will profoundly affect the island state. Accordingly, the country will adopt a three-pronged strategy to combat climate change – understand the issue, take measures to mitigate it, and adapt to it.

Dual angles

Companies play a pivotal role in the climate crisis due to intense environment impact, particularly from carbon emission. Building a compelling business case is a crucial lever for action. In my view, the case has thus far been built on two angles.

The first angle comes in the form of "responsibility" to the community by not degrading the environment. It is something good for companies to do socially, and relies on corporate altruism to place society above profit.

In the second angle, consideration of climate change takes the form of "risk". Companies make assessment of two types of risk that may come about from climate change – direct risk and derived risk.

Direct risk refers to physical impact that may actually damage the company's products and markets, including the supply chains, through severe weather patterns such as floods and hurricanes.

Derived risk comes from new demands of consumers and investors for the company to adopt climate change actions. These may have implications on sales revenues and capital costs. The risk may also emanate from changes in regulation that require the company to pursue climate-related actions thus entailing not only costs but also operational modifications.

Third angle

However, for businesses to fully accept climate change, a third angle to complete the triangle is needed – that of "rationale". Companies must see that it is in their very own self-interest to take on climate change. This will entail assessing implications of climate change actions on financial bottom lines.

The rationale angle is still in the early stage as many of the climate-related standards, such as those embodied in the Global Reporting Initiative (GRI) and the Task Force on Climate-related Financial Disclosures (TCFD), are just emerging and being applied.

On business benefit, there has been clear evidence on the financial impact of sustainability as a broader whole. In my study of Singapore-listed companies conducted at my research centre with Asean CSR Network, we found a significant positive relationship between sustainability reporting and firm value.

In a summative analysis conducted by University of Oxford and Arabesque Partners involving more than 200 studies, it was found that 88 per cent of the studies show that good sustainability practices result in better operational performances. Moreover, 80 per cent indicate that such good practices give rise to better stock price performance.

But the greatest challenge is to demonstrate that climate change practices are beneficial to the company, one company at a time. The evidence is mostly anecdotal as of now.

In a recent September article, *The Straits Times* calculated that PSA Corp's purchase of 200 liquefied natural gas (LNG) trucks, which represented 15 per cent of its truck fleet, reduced its carbon dioxide emission by 26 per cent compared to diesel trucks. The company stood to gain more than S$3.5 million in operational savings over 10 years. And this could increase if PSA ramped up its LNG fleet even more.

The rationale view is the most crucial third angle to be triangulated with the angles of responsibility and risk. Only then will we see companies voluntarily embracing the battle of climate change.

Back to the story of the printing house and its resistance to sustainability – it is clear that if the company sees the tangible returns, it will be serious about sustainability including climate change. The PDF threat, as feared by the CEO, suggests that the company should switch to a new business model. And this will be rationalised on the fundamental reasoning of self-interest – business benefit.

■ The writer is associate professor and director of Centre for Governance, Institutions and Organisations at NUS Business School

Lawrence Loh:

"Businesses will now have to **go back to the drawing board** to reassess the emerging threats from climate change as well as map out responses demanded by stakeholders. Most significantly, they have to **build a new case to fight climate change that goes beyond responsibility and risks**."

"**Companies play a pivotal role in the climate crisis** due to intense environment impact, particularly from carbon emission. **Building a compelling business case is a crucial lever for action**."

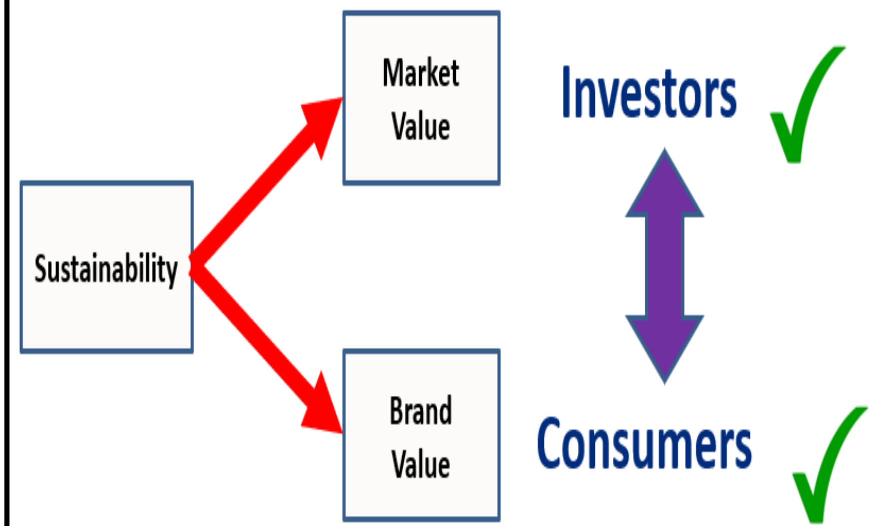
Resolving the Puzzle

Are there relationships
between
sustainability with
market value
and brand value?

Based on my own published evidence-based studies of Singapore's listed companies:

The answer is... YES!

Value Synthesis



Sources:
[Sustainability | Free Full-Text | Sustainability Reporting and Firm Value: Evidence from Singapore-Listed Companies (mdpi.com)]
[Sustainability | Free Full-Text | Impact of Sustainability Reporting on Brand Value: An Examination of 100 Leading Brands in Singapore (mdpi.com)]

What’s Next for Sustainability?

FOR sustainability, the turn of the year from 2024 to 2025 will be a **pivotal watershed**. From global climate compacts to political interventions, the future of climate change actions remains on **balance between sustained momentum and back-pedalling**. Some corporates, too, are rethinking how to weigh sustainability purpose with financial profits.

On the local front **in Singapore, 2025 will see the start of a key sustainability reporting requirement** beginning with listed companies. This adds to the array of obligations for sustainability and climate reporting already promulgated by the Singapore Exchange.

THE BUSINESS TIMES

Saturday, December 28, 2024

2025: The year to remain steadfast in corporate sustainability

The bottom line is to get on track even if there are obstacles and roadblocks. **By Lawrence Loh and Ang Hui Min**

FOR sustainability, the turn of the year from 2024 to 2025 will be a pivotal watershed. From global climate compacts to political interventions, the future of climate change actions remains on balance between sustained momentum and back-pedalling. Some corporates, too, are rethinking how to weigh sustainability purpose with financial profits.

On the local front in Singapore, 2025 will see the start of a key sustainability reporting requirement beginning with listed companies. This adds to the array of obligations for sustainability and climate reporting already promulgated by the Singapore Exchange.

The United Nations Climate Change Conference (COP29), which closed on Nov 22, 2024, had two major outcomes.

The first outcome is that developed nations will pool some US$300 billion per year by 2035 to help developing countries cope with the effects of climate change. This amount is more than the US$100 billion pledge per year which will expire in 2025, but far less than the US$1.3 trillion requested by developing nations.

The second outcome is that there is now consensus on standards regarding how international carbon credit projects will work. Relating to Article 6 of the Paris Agreement, this development will add confidence to the trading of carbon credits among countries and companies.

The path to the next climate conference (COP30), to be held in Brazil in November 2025, will hold the key to the direction of global climate change actions.

Donald Trump will be inaugurated as the new US president on Jan 20, 2025. It seems almost a given that he will withdraw the US from the Paris Agreement a second time, having done so during his earlier presidential term. The US action may even spur other countries to rethink their involvement in climate action.

There could also be deregulation of certain sectors, leading to less impetus for companies to comply with sustainability-related regulations. The uncertainty could lead companies in the US and other countries to hold back on their sustainability initiatives.

Moreover, the year 2024 has already seen a flurry of businesses adjusting their sustainability targets due to economic and implementation reasons.

Air New Zealand withdrew a target to reduce its carbon emissions intensity by 28.9 per cent by 2030, when compared to 2019 levels. This may be a harbinger of what is to come for airlines dropping their emission targets. In the Science Based Targets initiative (SBTi) database, airlines that have removed their commitment to near-term emissions goals included easyJet, Japan Airlines, Latam Airlines Chile, Lufthansa and United Airlines.

British multinational consumer goods company Unilever changed its goal of halving its use of virgin plastic by 2025 to reducing its use by 30 per cent in 2026 and by 40 per cent in 2028. In fact, the company has adopted a more balanced approach between purpose and profit, delivering on both sustainability commitments and financial goals. Business professors have dubbed this as the new "realistic sustainability" in a case study published in *The Financial Times*.

How 2025 unfolds will decide the trajectory of the sustainability momentum, particularly in the carbon emissions aspect of climate change actions.

From the financial year 2025, all listed companies in Singapore need to report their Scope 1 and Scope 2 greenhouse gas emissions. PHOTO: YEN MENG JIIN, BT

Climate disclosures for Singapore

For Singapore, it is necessary to not be too quick to dismiss the significance of sustainability. How should corporates navigate the global backdrop of uncertainties? Should companies in Singapore sit out and watch the global trend unfold first?

Even with the doubters, the impetus for sustainability regulation, especially climate change, is reaching an unprecedented criticality point.

Collectively, the world needs sustainability and the "control" of climate change. Yet, everyone is waiting for others to start. It is precisely because of inertia, scepticism or even the free-rider problem that regulation has to step in to address the conundrum.

Sustainability regulation in Singapore will see the adoption of the IFRS Sustainability Disclosure Standards. From the financial year 2025, all listed companies in Singapore need to report their Scope 1 and Scope 2 greenhouse gas (GHG) emissions.

Large non-listed companies, defined as those with annual revenue of at least S$1 billion and total assets of at least S$500 million, should also step up their capabilities in climate reporting, as they have to do so from FY2027.

Small Singapore's sustainability drive will probably not make any difference to the world. Its companies are unlikely to move any needle in the global action for climate change.

Yet, even if it is not for compliance with the impending regulation, it is in the self-interest of Singapore companies to report on sustainability, especially in GHG emissions.

Regulations in the European Union, such as the Corporate Sustainability Reporting Directive, are in full swing and among the requirements, businesses there will need to know the carbon footprints of suppliers. Eventually, certain non-EU entities operating in the bloc will have to comply with the sustainability regulations, too.

Thus, Asian companies, not least Singapore companies, will need to up the game in sustainability compliance.

Sustainability, particularly climate actions, is ultimately about the transition. The preparations for climate change may seem even more demanding than climate change itself. Indeed, the journey is sometimes more painful than the destination.

Embarking early on the transition pays off. The penalty to be paid is being left out in the global markets. This is all about revenue, profit and market value.

From 2024 to 2025, the bottom line is to get on track even if there are obstacles and roadblocks. The grand directions of the COP climate change meetings will be the compass – regulations will be the GPS. There is no room for politics to get in the way.

Embarking early on the transition pays off. The penalty to be paid is being left out in the global markets. This is all about revenue, profit and market value.

Professor Lawrence Loh is director of the Centre for Governance and Sustainability (CGS) at NUS Business School. Ang Hui Min is senior manager (research and communications) at CGS. CGS marks its 10th year of research in sustainability in 2024, having published the first market-wide Singapore study in 2014.

[2025: The year to remain steadfast in corporate sustainability - NUS BizBeat]

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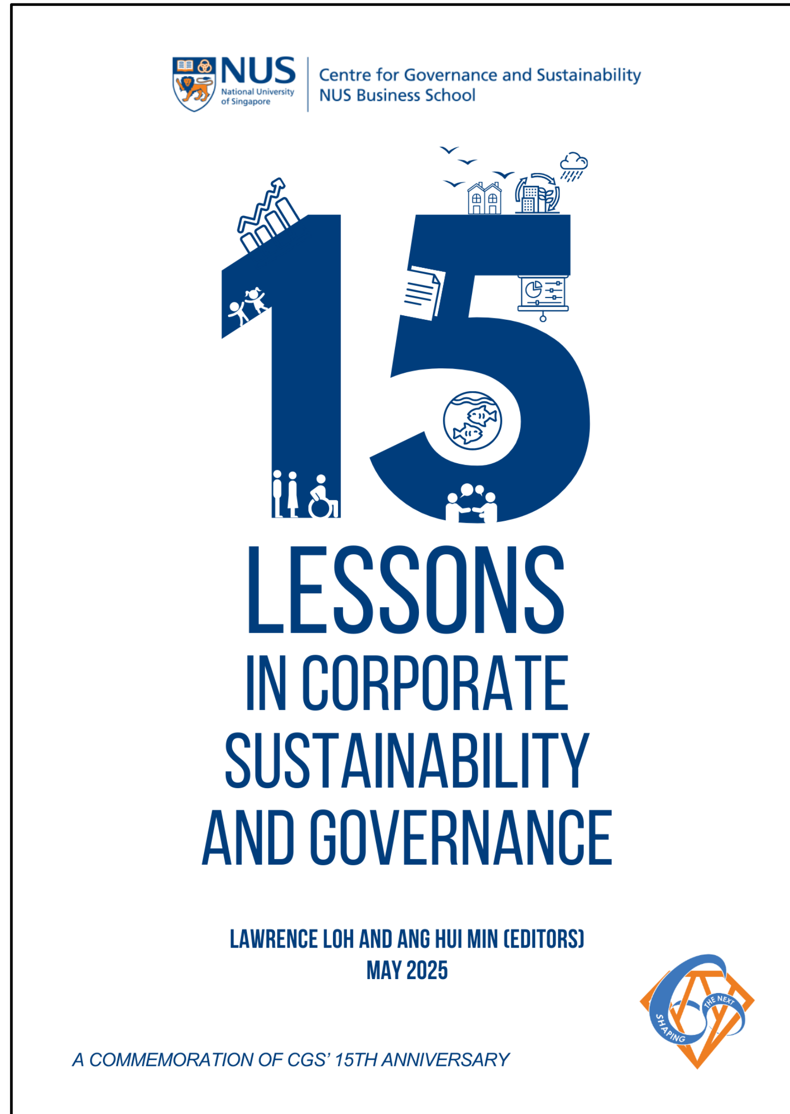

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Prof Loh received a PhD in Management from the Massachusetts Institute of Technology (MIT). His thesis on technology governance was awarded global first prize in the worldwide doctoral competition in the field of management information systems. At MIT, he completed the doctoral qualifiers in finance and economics as well as the doctoral generals in strategy and policy.

At CGS, Prof Loh leads key governance initiatives for Asia-Pacific, ASEAN and Singapore. He steers the Singapore Governance and Transparency Index and ASEAN Corporate Governance Scorecard. Prof Loh also heads studies on business integrity and leadership diversity.

In the sustainability domain, Prof Loh led the Knowledge Partner team and served as judge for the Business Times-UOB Sustainability Impact Awards in Singapore. He was a lead investigator on a study in sustainable banking for all listed banks in ASEAN in collaboration with WWF. Prof Loh directed the initiative that is commissioned by the Singapore Exchange to conduct sustainability assessments of all listed companies on the Exchange. He also headed the ASEAN sustainability reporting initiative covering 6 countries with ASEAN CSR Network and steered the Asia-Pacific sustainability reporting assessment covering 14 jurisdictions with PwC. Prof Loh spearheaded a study on climate reporting in ASEAN companies with GRI.

Prof Loh has delivered numerous executive development programs for many leading clients and institutions across Asia, ASEAN and Singapore, including leading global corporations and training institutions. He is a regular speaker at professional events in governance and sustainability.

Prof Loh was lead consultant for information technology manpower as well as research and development manpower studies commissioned by the Singapore government. He was chief facilitator for Singapore's National Technology Plan and served on the Think Tank for Science and Technology. Prof Loh also consulted for Fortune 500 companies, international organizations and NUS Enterprise in technology and innovation policy.

Prof Loh is a regular commentator on business and policy issues for leading global media such as AFP, BBC, Bloomberg, China Central Television, China Daily, China Global Television Network, CNBC, CNN, Deal Street Asia, Eco-Business, Economist, Financial Times, Forbes, Jakarta Post, NetEase, Nikkei Asia, People's Daily, South China Morning Post, Tech in Asia, The Washington Post, Xinhua, Yahoo Finance as well as Singapore media such as Berita Harian, CNA, Lianhe Zaobao, Singapore Business Review, The Business Times, The Edge Singapore, The New Paper, The Straits Times and TODAY. Prof Loh has a citation and commentary count of about 500 per year across media worldwide.

Prof Loh is a multi-time winner of the NUS Annual Teaching Excellence Award and the NUS Business School Teaching Excellence Award. His name has been placed on the University's Honour Roll for excellent teaching.