

Climate Reporting in ASEAN

State of Corporate Practices

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Agenda

- ▶ Introduction
- ▶ Methodology
- ▶ Key Findings
- ▶ Conclusion
- ▶ Moving Forward

Climate Reporting in ASEAN

Introduction

Context

- ▶ ASEAN nations have been hard hit by adverse climate events
- ▶ Rising expectations on ASEAN nations to address climate change due to high emissions
- ▶ ASEAN governments have taken steps toward decarbonisation
- ▶ However, greening effort requires extensive contributions and commitment from corporations
- ▶ No common sustainability reporting framework across ASEAN

Context

Country	Sustainability Reporting Requirements (Selected)
Indonesia	Otoritas Jasa Keuangan (OJK) requires publicly listed companies to publish sustainability reporting through POJK51/POJK.03/2017, gradually starting in 2020.
Malaysia	ESG reporting is required as a listing rule i.e., to disclose narrative statements of the management of material economic, environmental, and social (EES) risks and opportunities in annual reports.
Philippines	Beginning 2023 (2022 reporting period), all publicly listed companies are mandated to comply with the sustainability reporting guidelines set by the regulator. Voluntary – and eventually mandatory reporting for non-listed companies is set to be introduced

Context

Country	Sustainability Reporting Requirements (Selected)
Singapore	All Singapore Exchange listed companies to have sustainability reporting (effective from 2017).
Thailand	Since 2022, it is mandatory for all publicly listed companies to report their ESG performance via Form 56-1 One Report (effective from financial period ending 31 December 2021).
Vietnam	The Ministry of Finance of Vietnam requires publicly listed companies to consider the social and environmental consequences of their activities, and their social commitments in their annual report.

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Methodology

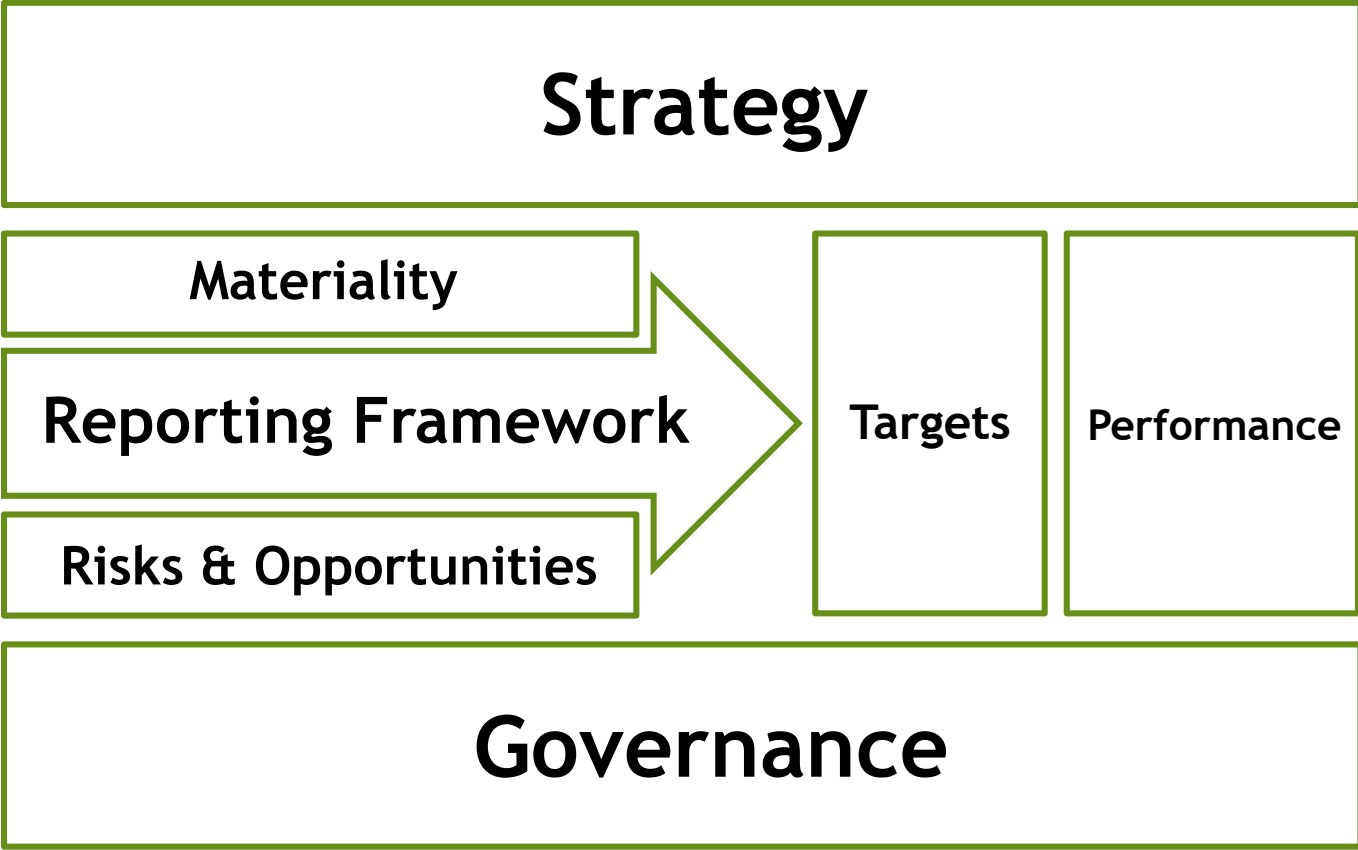
Scope of Study

- ▶ Investigated how companies across ASEAN do climate-related reporting
- ▶ Focused on the top 100 companies by market capitalisation in six ASEAN countries
- ▶ Companies were included if they published a sustainability report in English that captures their climate disclosures in financial year 2020 or 2021
- ▶ 420 companies, in Indonesia (55), Malaysia (98), the Philippines (66), Singapore (98), Thailand (63), and Vietnam (40) were included

Research Framework Basis

- ▶ Synthesise a framework that evaluates the completeness of the companies' climate disclosures by drawing on
 - ▶ Global Reporting Initiative (GRI) Standards
 - ▶ Task Force on Climate-Related Financial Disclosures (TCFD)
 - ▶ Greenhouse Gas (GHG) Protocol
 - ▶ Science Based Target initiative (SBTi)
 - ▶ Carbon Disclosure Project (CDP)
 - ▶ United Nations Sustainable Development Goals (SDG)

Research Framework Structure



Research Framework Components

Framework Components	Framework Components
<p>Covers 6 areas:</p> <ul style="list-style-type: none">▪ <u>Materiality</u> -E.g., Climate change identified as a material concern▪ <u>Risks and opportunities</u> -E.g., Processes for identifying climate-related risks and/or opportunities▪ <u>Governance</u> -E.g., Has the organisation assigned climate-related responsibilities to management-level committees	<ul style="list-style-type: none">▪ <u>Strategy</u> -E.g., Does the organisation use climate-related scenario analysis to inform its strategy▪ <u>Targets</u> -E.g., Describe the time frames over which the target applies▪ <u>Performance</u> -E.g., Disclose scope 1/scope 2/scope 3 GHG emissions total

Research Framework Assessment

Scoring

Each indicators from the six areas is assessed:

- Materiality (3)
- Risks and opportunities (5)
- Governance (5)
- Strategy (4)
- Targets (4)
- Performance (5)

A company's rating is derived from the aggregate of the six areas.

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Key Findings

Reporting Framework

	GRI	IIRC	SASB	SDG	TCFD
Indonesia	93%	4%	16%	93%	5%
Malaysia	73%	35%	11%	74%	19%
Philippines	82%	17%	35%	86%	38%
Singapore	99%	8%	10%	65%	18%
Thailand	89%	13%	10%	95%	27%
Vietnam	65%	8%	2%	42%	0%

- 0 to 25% of companies
- >25% to 50% of companies
- >50% to 75% of companies
- >75% of companies

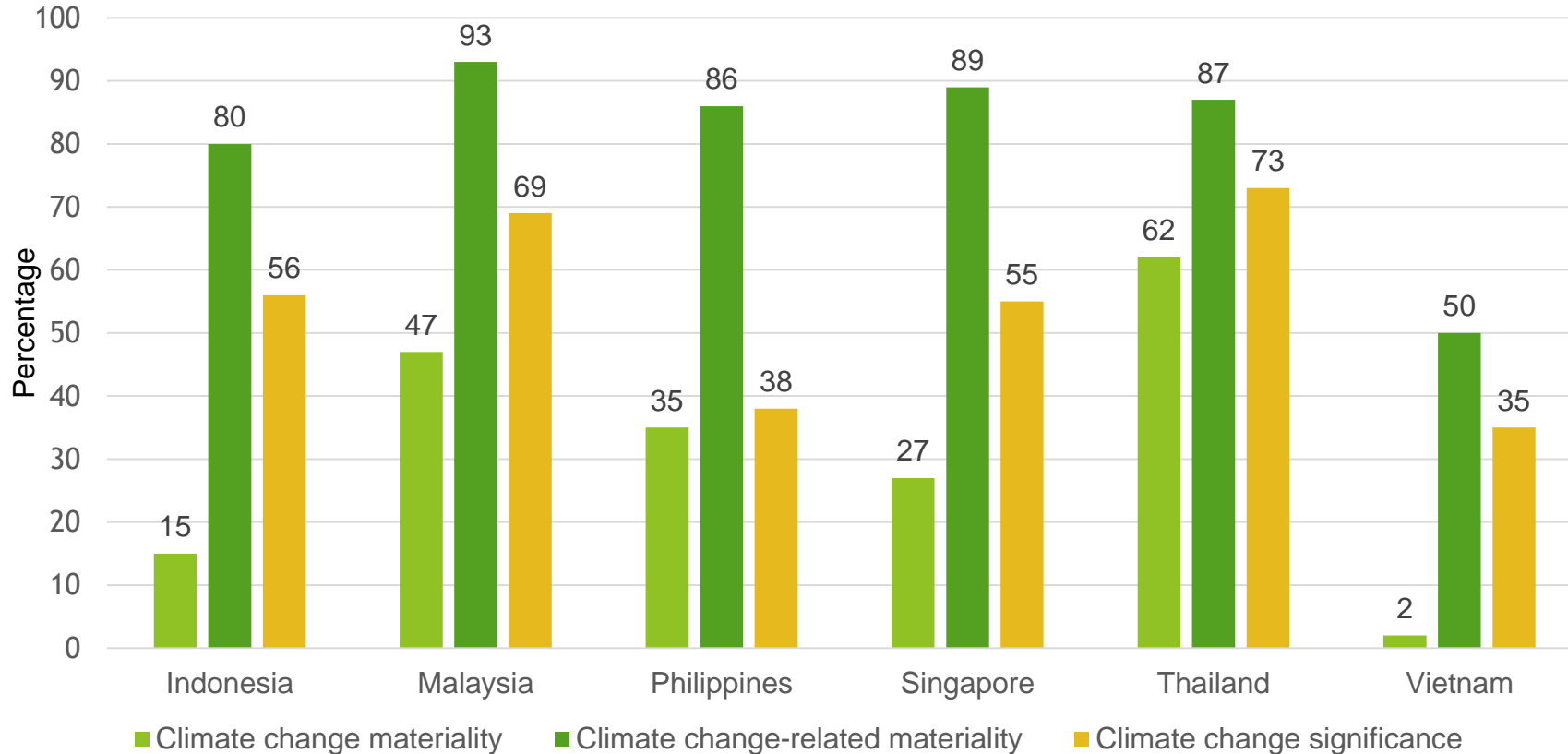
Finding 1

GRI Standards and SDG framework are the most widely used

Finding 2

TCFD adoption is still in emergent state

Materiality



Finding 1

Most companies did not detail climate change as a material concern

Finding 2

Most companies identified material topics related to climate change, such as greenhouse gas emissions, energy, and air quality

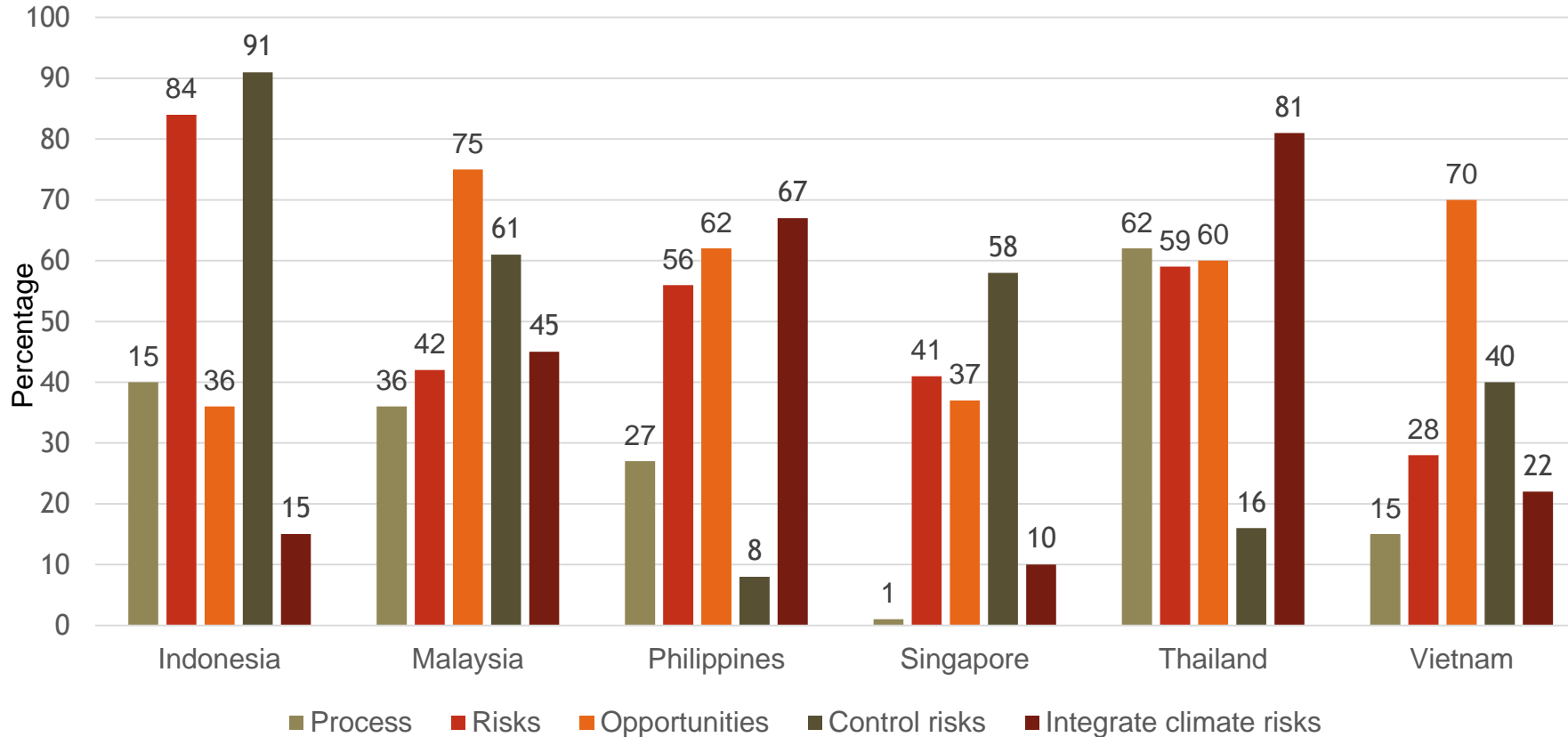
Legend:

Climate change materiality: Describe if organisation identify climate change as a material concern

Climate change-related materiality: Describe if organisation identify climate change related material concern such as GHG emission, energy consumption

Climate change significance: Describe how organisation determine the relative significance of climate-related risks in relation to other risks

Risks and Opportunities



Finding 1

Majority of companies described how they mitigate climate-related risks and opportunities

Finding 2

Climate risks identified are physical risk, regulatory risk, transition risk, and reputation risk

Finding 3

Climate opportunities include partnerships with stakeholders such as employees, customers, and the community to encourage eco-friendly behaviours

Legend:

Process: Describe processes for identifying climate-related risks and/or opportunities

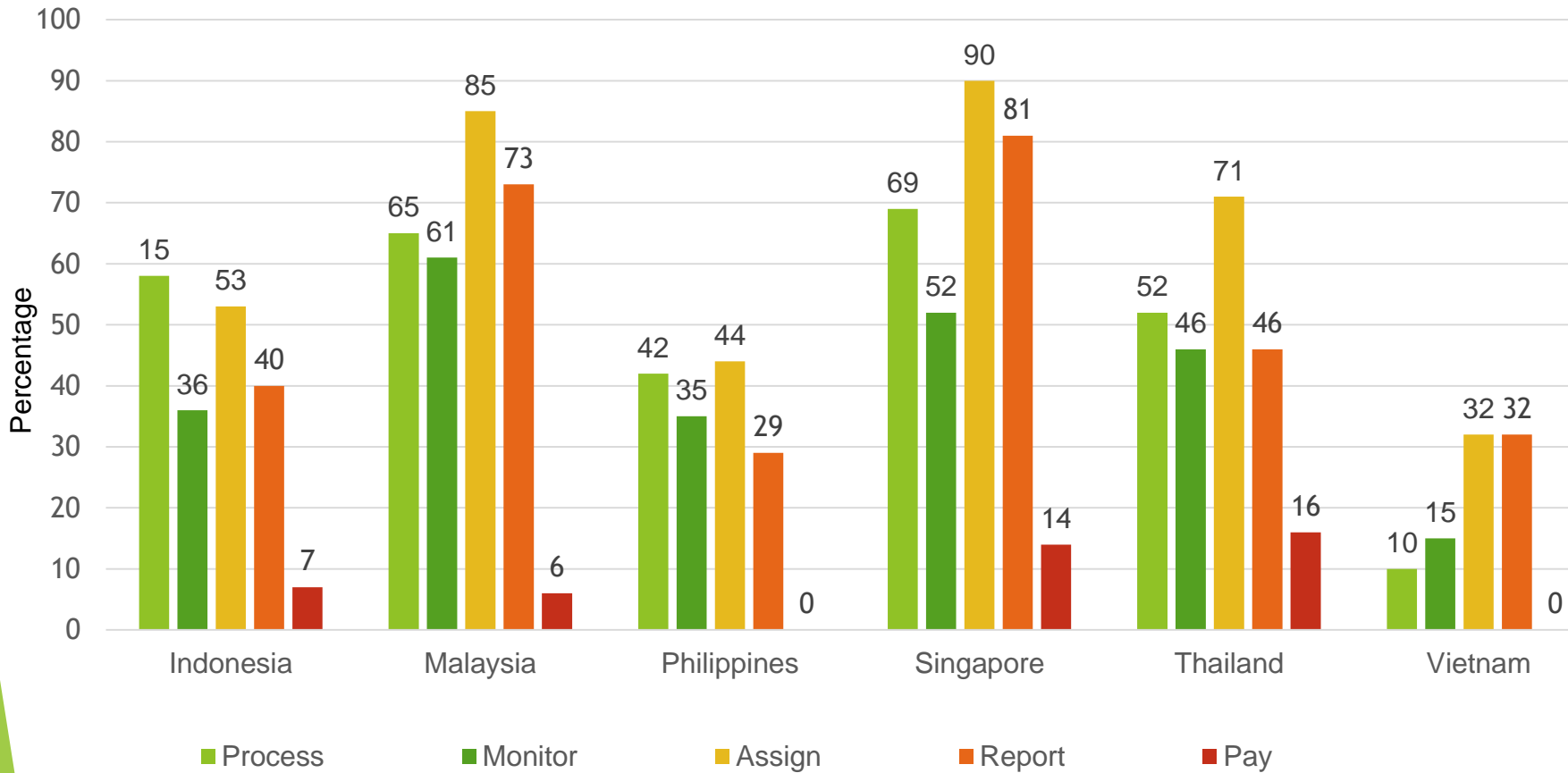
Risks: Describe the climate-related risks that the organisation has identified

Opportunities: Describe the climate-related opportunities that the organisation has identified

Control risks: Describe if the organisation mitigate, transfer, accept, control climate-related risks

Integrate climate risks: Describe processes for integrating climate-related risks into overall risk management

Governance



Finding 1

Most companies have assigned climate-related responsibilities to management-level committees, overseeing the sustainability direction through the organisation's sustainability committee

Finding 2

Companies in Vietnam and the Philippines do not link remuneration to sustainability performance, and in other countries, few companies linked remuneration to sustainability performance

Legend:

Process: Describe the processes by which the board committee are informed about climate-related issues

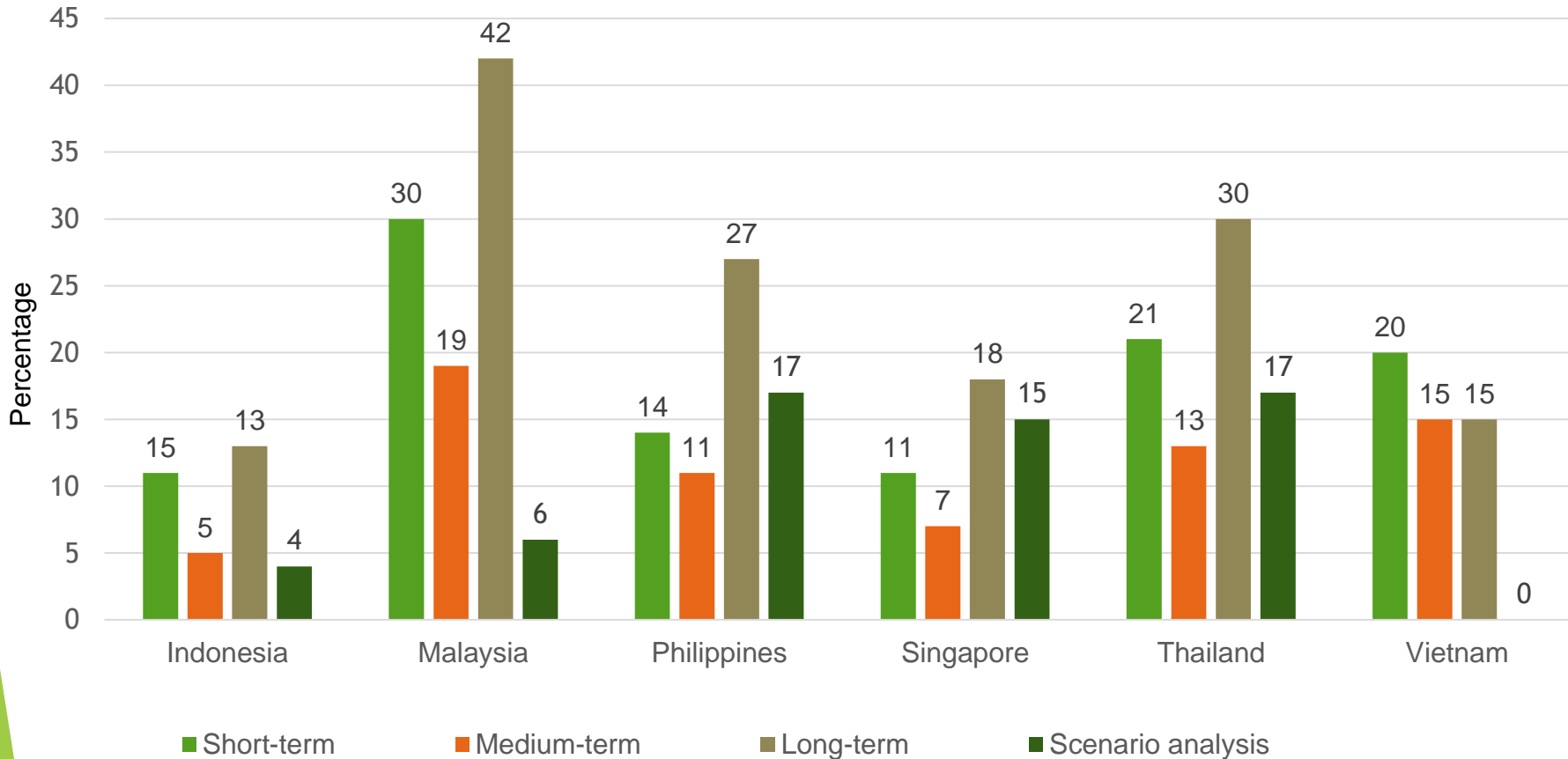
Monitor: Describe how the board monitors and oversees progress against goals and targets for addressing climate-related issues

Assign: Describe whether the organisation has assigned climate-related responsibilities to management-level committees

Report: Describe whether management committees report to the board committee

Pay: Describe whether remuneration is linked to ESG performance

Strategy



Finding 1

Most companies have discussed the time horizon of their long-term strategy, but not their short-term and medium-term strategies

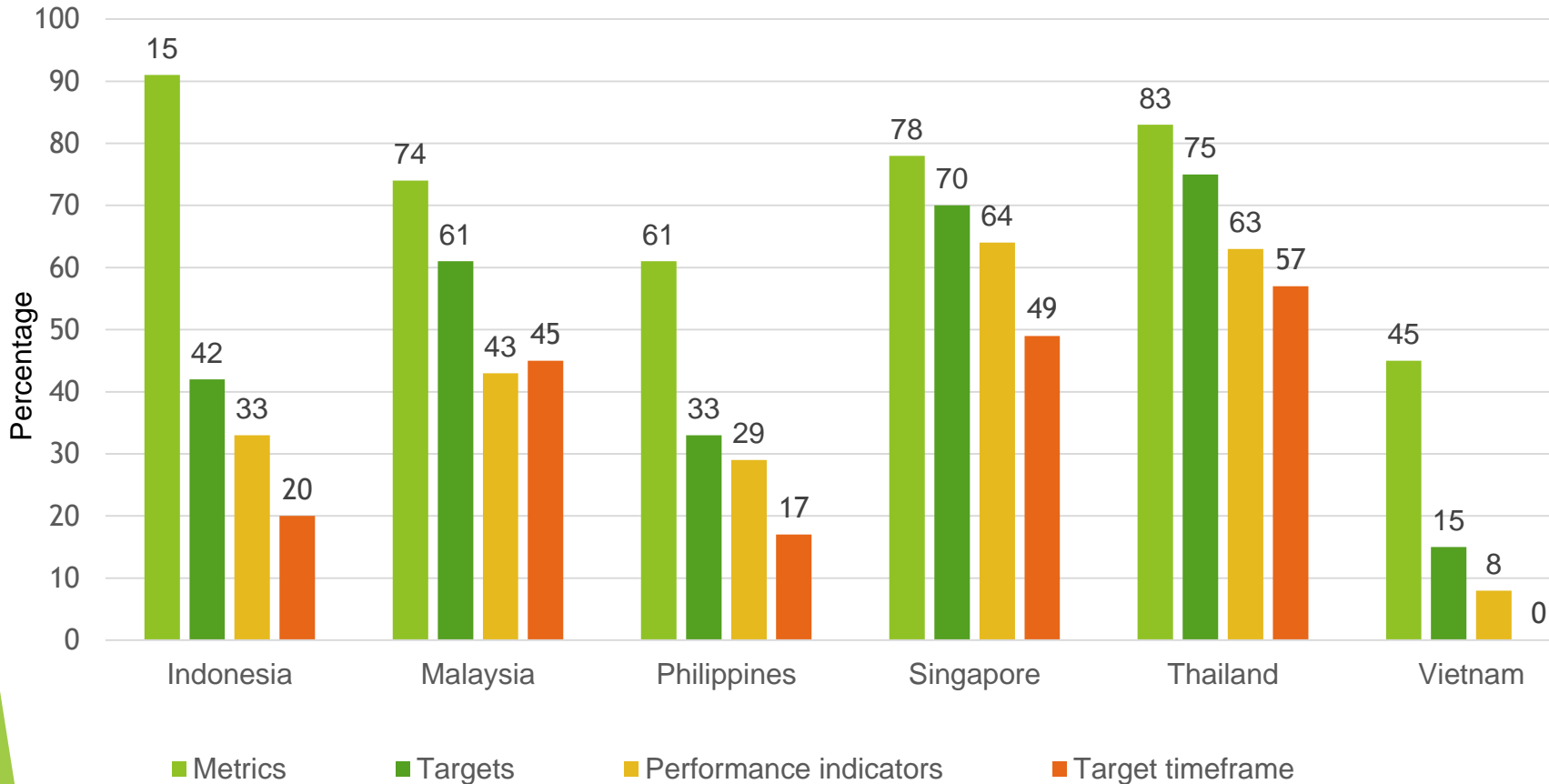
Finding 2

Common long-term strategies cited include reduction of greenhouse gas emissions and carbon neutrality goals

Legend:

Short-term: Describe what the organisation consider to be the relevant short-term time horizon regarding climate risk strategy
Medium-term: Describe what the organisation consider to be the relevant medium-term time horizon regarding climate risk strategy
Long-term: Describe what the organisation consider to be the relevant long-term time horizon regarding climate risk strategy
Scenario analysis: Describe if the organisation use climate-related scenario analysis to inform its strategy

Targets



Finding 1

Most companies published greenhouse gas emissions and energy consumption to allow for trend analysis

Finding 2

Organisations were active in targets discussion; however, they did not discuss how they would assess progress against targets using key performance indicators

Finding 3

Only 22% have set targets to increase low-carbon energy consumption, 1% have set targets to reduce methane, and 10% have set targets to achieve net-zero carbon emissions

Legend:

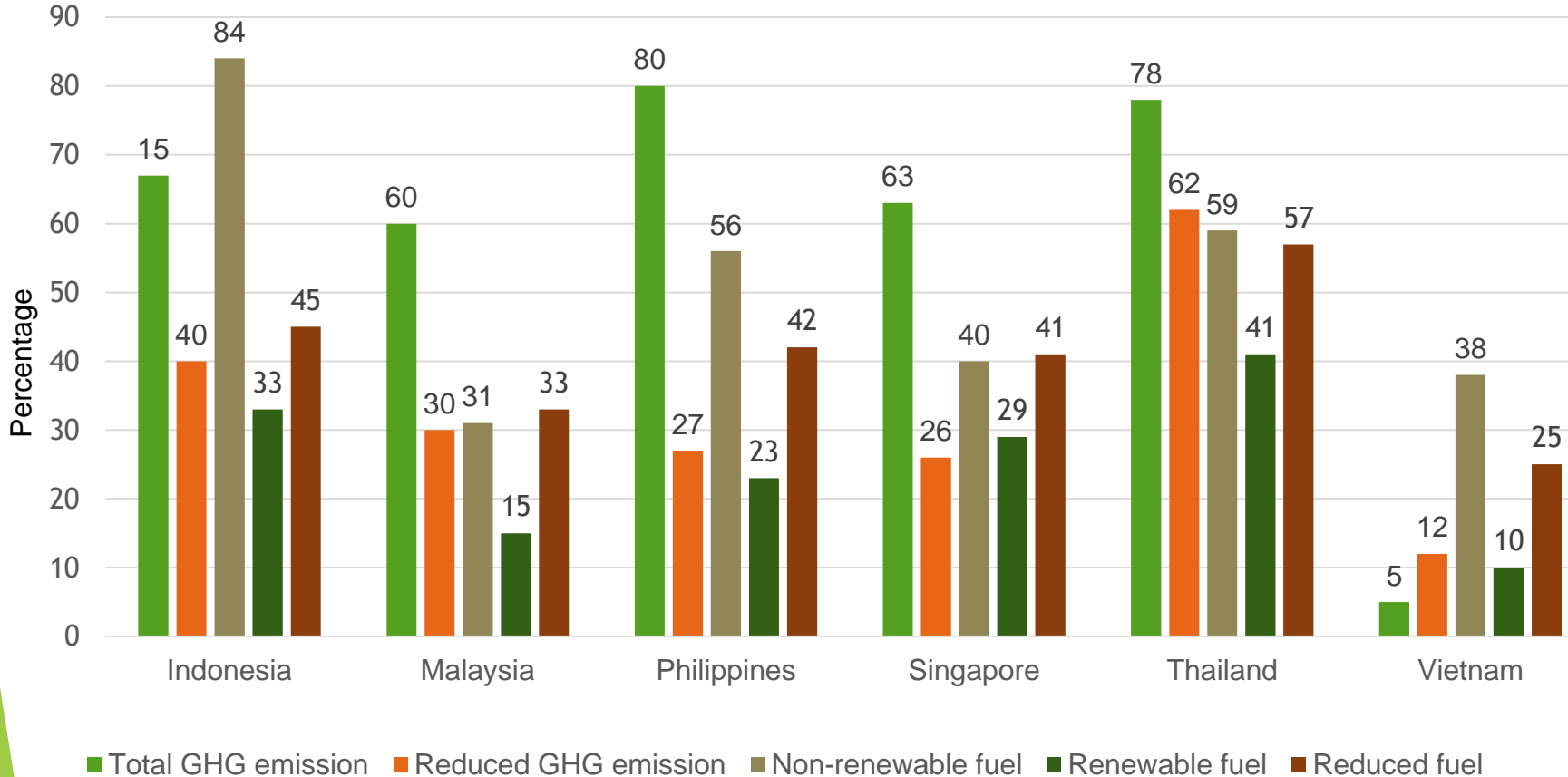
Metrics: Describe if metrics are provided for historical periods to allow for trend analysis

Targets: Describe how targets are discussed

Performance indicators: Describe key performance indicators used to assess progress against targets

Target timeframe: Describe the time frames over which the target applies

Performance



Finding 1

GHG emissions data are often incomplete, failing to capture all regions and scopes of the company's operations. Not all companies reported scope 1 emissions disaggregated by sources and facilities, and scope 2 emissions by source type

Finding 2

Performance indicators do not distil down into one standardised unit of measure. E.g., some companies measured energy consumption using gigajoules, while others used kilowatt-hours

Legend:

- Total GHG emission: Disclose scope 1/scope 2/scope 3 GHG emissions total
- Reduced GHG emission: Describe GHG emissions reduced as a direct result of reduction initiatives, in metric tons of CO equivalent
- Non-renewable fuel: Disclose fuel consumption within the organisation and outside the organisation from non-renewable sources
- Renewable fuel: Disclose fuel consumption within the organisation and outside the organisation from renewable sources
- Reduced fuel: Disclose the amount of reductions in energy consumption achieved as a direct result of conservation and efficiency initiatives

Rating of Companies on Climate-related Reporting

- ▶ Malaysia (48%), Singapore (48%), and Thailand (57%) are stronger in climate-related reporting, with higher climate disclosure rate than the overall climate disclosure rate across all six ASEAN countries (46%)
- ▶ Companies have to accord attention on governance aspects in climate-related reporting, particularly in linking remuneration to ESG performance
- ▶ Companies did not do well in reporting of strategy, echoing results in earlier studies that climate-related strategy is not an emphasis for most companies (Loh & Yock, 2021)

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Conclusion

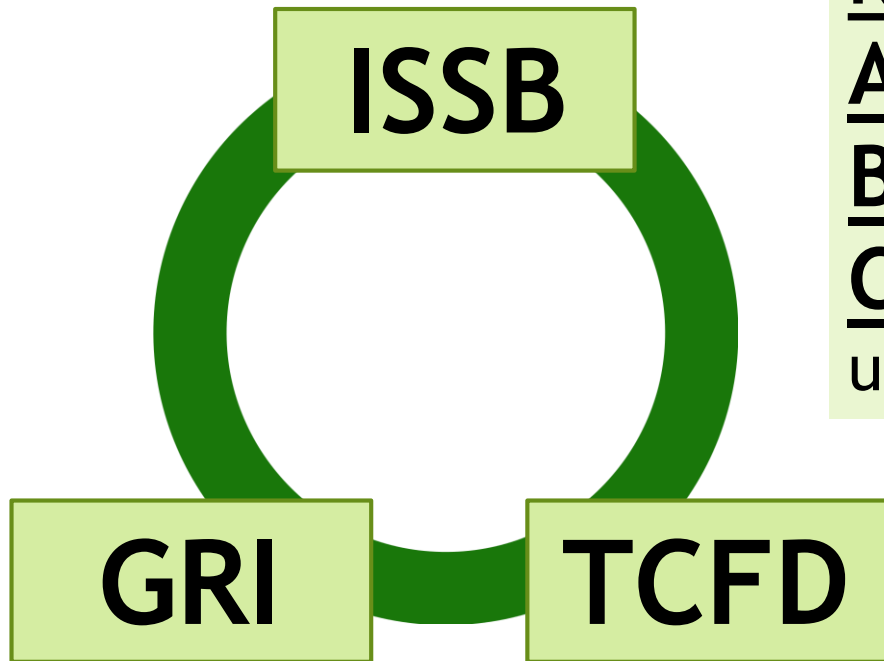
Conclusion

- ▶ Climate-related reporting has emerged well in ASEAN companies
- ▶ There is some variation in climate-related reporting amongst the companies while specific aspects has begun to take shape
- ▶ Relative strength in climate-related reporting is due to regulatory mandate and stakeholder consultation
- ▶ Alignment with global standards will be key to the success of climate-related reporting
- ▶ Provision of resources and trainings will be effective in getting companies up to speed with climate-related reporting

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Moving Forward

Facing the Challenge of Evolving and Emerging Standards



Key Issues

Adoption - How to choose?

Benchmarking - How to compare?

Context - How to consider user uniqueness e.g. industry, size?

Credits

Sponsors

State Secretariat for Economic Affairs SECO (Switzerland) & Department of Foreign Affairs and Trade DFAT (Australia)

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