

Climate change reporting heats up in Asia

In 1854, Chief Seattle, the elderly chief of the Suquamish Indians, gave a speech to acknowledge the arrival of the first American territorial governor Isaac Stevens. At the time, the US government was aggressively trying to buy two million acres of land occupied by Chief Seattle and his tribe. Today, this speech is widely acknowledged as one of the most beautiful and prophetic statements ever made on the environment.

An excerpt from the speech reads like this: All things are connected. Whatever befalls the earth, befalls the sons of the earth. Man did not weave the web of life; he is merely a strand in it. Whatever he does to the web, he does to himself.

Chief Seattle's words are as relevant today as they were when delivered in 1854. As all things are connected and all of us are strands in the web of life, no one should shirk his responsibility to the sustainability agenda. The highly anticipated UN Climate Change Conference (COP15) in Copenhagen, 2009, was disappointing, and COP16 in Cancun came and went without any fanfare. Now, with COP17 scheduled to be held in Durban at the end of this month, the pace is picking up.

It has been almost two years since Prime Minister Datuk Seri Najib Razak announced a voluntary and conditional carbon intensity reduction of up to 40% by 2020 based on 2005 levels. We have seen various efforts made to achieve this goal, including the establishment of the National Climate Change Policy and Bursa Malaysia's Corporate Sustainability Programme.

To assess what the corporate sector has done so far to support Malaysia's reduction commitments, we conducted a study of several leading companies throughout the country and also the region, using their disclosure reports on climate change.

Quality versus quantity

Climate change reporting is certainly warming up in Asia. However, the levels are below

average if compared with global leading sustainability companies, focusing mainly on initiatives and emission data. Although more Malaysian companies are reporting on climate change compared with their peers in Thailand, Indonesia, China and Singapore, the depth of coverage is average.

More top Malaysian companies, and also those in Indonesia, Thailand, Singapore and China, are including climate change disclosure in either their annual reports, corporate sustainability reports or separate company environmental reports.

Some 65% of the top 20 Malaysian companies analysed climate change — significantly higher than their counterparts in the

other four countries. Despite disclosure in company reports, the participation of Malaysian companies in the international Carbon Disclosure Project (CDP) was quite disappointing. Only three of the 48 companies invited to participate last year submitted a response. The CDP represents institutional investors and the collective power of corporations to encourage companies to measure, manage and report their greenhouse gas emissions. Globally, over 3,000 companies disclosed their climate change information to CDP last year.

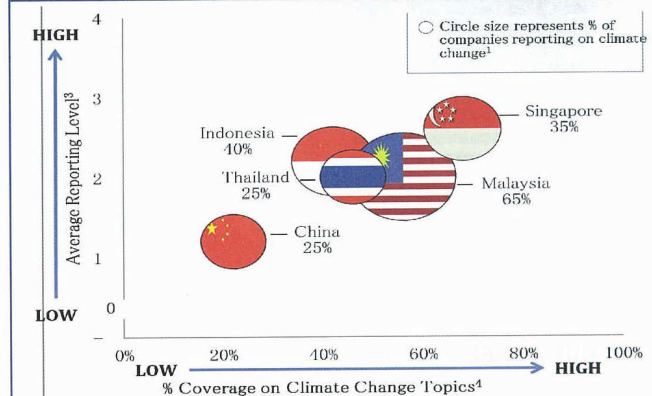
Overall, the quality of our reporting is something that still needs to be improved; we are below average compared with global sustainability leaders.

What are we reporting on?

Climate change policy and initiatives, especially promotion of awareness, are the most popular among Malaysian companies. Policies on climate change, usually in the opening statements of top management in the reports, give the impression that climate change is emerging as one of the top business priorities.

Some 80% of top Malaysian companies report on total CO2 emissions and an average of 60% report on direct and indirect emissions. However, few are setting targets to help drive

Depth of climate change reporting coverage in selected Asian countries



*Note:

1. % of Top 20 companies reporting on climate change in each country, weighted by market capitalisation as of Feb 2011 on Bloomberg for China, Malaysia, Singapore and Thailand. For Indonesia, as of June 2011 on *Fortune*.
2. Analysis sample consists of 25 companies (5 companies from each country) that report on climate change.
3. Average reporting levels determined as follows:

Reporting Level	Description
4	Policy, initiatives, emissions data, target management & environmental accounting available
3	Policy, initiatives, emissions data & target management available
2	Policy, initiatives & emissions data available
1	Policy & initiatives only
0	No reporting

4. Average % of coverage on climate change in company reports compared to Top 10 topics addressed by sustainability leaders.

and improve their performance. This is strikingly obvious — data on companies publicly reporting on the progress of their initiatives with supporting figures and comparisons against targets is not easily available.

Despite the introduction of the Renewable



Devastating floods in Thailand ... climate change awareness and efforts are gaining momentum in Asia

Energy Act this year, few Malaysian companies covered in our study reported on renewable energies, whether on the usage of renewable energy as part of their climate change initiatives or researching the possibility of using such sources.

So, what can we learn from this?

Climate change awareness and efforts are gaining momentum in Asia, especially Malaysia. It is good to note that leading Malaysian companies are taking positive steps to address this global issue.

From our study, we summarised six key takeaways for companies looking to embark on their climate change reporting journey:

- 1) **Get the big picture** — what matters, what does not. Understand and assess your busi-

ness's climate change risks according to significance, from the environmental and cost impact aspects. This will help focus your efforts on reducing and reporting risks that are material to your business.

- 2) **Actions speak louder than words.** Stating your commitment to climate change reduction is one thing, but actually doing something about it and being able to demonstrate tangible results is another. Be transparent about your goals and reduction strategies in your climate change reporting.
- 3) **Measure it.** Emission data helps companies understand the impact of their business activities on climate change. Upon selecting the key indicators to be measured, make sure that the data collected follows the five "Cs" in data quality — correctness, credibility, consistency, currency and completeness.
- 4) **Turn data into actionable information.** Once emission data collection and visualisation are in place, use the information to monitor your emission performance and identify opportunities. Use the data as a tool in decision-making for the reduction of climate change risks and associated cost savings.
- 5) **Keep track.** Climate change emission reporting is most beneficial when it is clear and comparable with supporting data. Keep track of your company's performance and compare against targets to gauge progress. If you don't, you are missing an opportunity to differentiate your company from the others. Stakeholders will be unable to make comparisons of management quality and performance improvement.
- 6) **Don't greenwash.** When reporting on climate change initiatives, take extra caution to avoid falling into the greenwashing trap. This usually occurs when environmental initiatives are reported but cannot be easily substantiated by supporting performance data or by a reliable third-party verification body. Stakeholders, be it customers, members of the public or the authorities, increasingly expect transparency and proof.

How can we do more?

A recent PwC report, *Counting the Cost of Carbon: Low Carbon Economy Index 2011*, cited the fact that many of the G20 countries (both developed and developing) saw an increase in carbon intensity in 2010. To get back on track to limit global warming to 2°C, the global economy now needs to reduce carbon intensity at a rate of 3.5% a year, four times faster than achieved since 2000. Given the complexity of this global issue, the only way to solve it is through a multi-stakeholder approach. We encourage more dialogue between government, private sector, civil society organisations and the public.

Leading Malaysian companies are adopting broader stakeholder engagement approaches to gather input for their corporate sustainability strategies and policies. Groups such as the Business Council for Sustainable Development Malaysia and Corporate Sustainability Circle have also been formed to share experiences and insights and establish joint commitments. These are all positive signs and we hope that these efforts will continue.

With greater corporate measurement and disclosure, policymakers and influential stakeholders will have more data to base their actions on. In return, companies waiting for more regulation or direction will be able to develop plans to respond to the overall agenda.

While the 40% target remains ambitious, it is encouraging that in Malaysia, the private sector is taking notice of the climate change issue and taking steps to address it. ■

Ng Yin Ching and Rashid Anwarudin
are associate directors at PwC Advisory
Services Sdn Bhd