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## More Asean Companies Adopting Sustainability Plans in 2013 but Challenges Remain, PwC says



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Energy and carbon-related cost seen as the No. 1 sustainability driver over the next five years.

81% recognise that sustainability is extremely/very relevant but less than half have a strategy.

Only one in five Asean companies include sustainability as a regular Board agenda issue.

More Sustainability Reporting in large companies expected, buoyed by regulatory push.

Sustainability in the Asean developing markets is expected to increase in 2013 as 81% of businesses surveyed see its long-term significance for their businesses, but implementing the necessary organisational practice changes—stakeholder/leadership engagement, disclosure, monitoring and reporting processes—remain key challenges over the long term, a PwC survey says.

Sustainability has emerged as a priority issue that can no longer be ignored by the Thai business community, not only because of regulations and the push for transparency, but also to ensure that value is created and protected by integrating social, environmental, economic and ethical factors into companies' strategic decision-making, according to Sira Intarakumthornchai, CEO for PwC Thailand.

"While sustainability is already well established in developed economies, it is now increasingly becoming a focus of attention in Asean nations, including Thailand. More companies are now embracing sustainability; becoming more committed to and accountable about the true benefits of their sustainability-related activities," Sira explained.

"That said, businesses need to be more proactive in embedding sustainability in a strategic manner across their business—chiefly through strategic and systematic implementation," he continued, saying that energy and carbon-related costs would become the number one sustainability driver over the next five years.

PwC's survey Going beyond philanthropy?—Pulse-check on sustainability, which

featured interviews with 211 companies in the 'Asean 5'—the five largest developing countries in the Association of Southeast Asian Nations; i.e. Malaysia, Thailand, Indonesia, the Philippines and Vietnam—found that 81% of executives said sustainability is extremely or very relevant to their businesses. However, fewer than 50% of

them actually have a strategy aligned with their business goals. The survey seeks to understand how companies are embedding sustainability in a strategic approach across their businesses and what the key driving forces are.

“While we expect more companies in Asean’s developing markets to adopt sustainability practices over the next three to five years, the reality is that there is more to it than simple philanthropic activities and that is integrating environmental and social considerations into the core of business strategies,” Sira said, adding that corporate social responsibility (CSR) has helped companies onto the low first rung of the sustainability ladder to a certain extent.

However, the survey found that a strong impetus from the top—a critical component of successful sustainable practices—is lacking among the Asean respondents. Only 3% of the companies have a sound leadership structure in place to spearhead sustainability initiatives effectively, and just 35% have a dedicated team to drive, monitor and measure their sustainability strategy.

More worryingly, only one in five companies say that sustainability is a regular agenda item during board meetings, and only 12% engage with all their stakeholders, including customers, investors/ shareholders, regulatory bodies and their local communities, on corporate sustainability development.

Sundara Raj, Consulting Leader, PwC Advisory Services Malaysia, said that it’s becoming increasingly vital for companies in the region to ‘publish and share’ their sustainability initiatives regularly in their annual reports or a standalone sustainability report in order to build long-term public goodwill.

CEOs should reinforce this culture of transparency within the company by working directly with their stakeholders, like employees, suppliers and investors, to develop their sustainability strategy, and use various communication channels to get feedback,” Raj said.

This aligns with the survey’s findings that the perception of the desirability and necessity of sustainability reporting is on the rise in the Asean region. Increasingly, companies are beginning to review and assess various initiatives and increase the level of their sustainability reporting.

“Globally, we see a growing movement towards integrated reporting that covers both financial and non-financial (sustainability) performance. The trend is that the economic value of a company’s sustainability strategy will increasingly be disclosed in corporate reports and companies will be held accountable for performance in all sustainability dimensions, covering environment, social, governance and economic,” Sira added.

In Malaysia, for instance, nearly 80% of Malaysian companies report sustainability in some form, contributed largely by Bursa Malaysia’s requirement for every public listed company to disclose its sustainability activities in its annual report. Indonesia also mandates that listed firms undertake sustainability initiatives and sustainability reporting.

The survey found that the lack of regulations mandating the need for disclosure was the primary reason for not reporting, underlining the key role that governments and regulators should play in driving sustainability in the region.

The quality of sustainability reporting in the region can be further improved. Only 26% of companies have adopted a global reporting framework to guide their reporting and just 18% have independent third-party assurance for their sustainability reports.

“In Thailand’s case, more companies are being encouraged to be committed and accountable about the true benefits of sustainable development by focusing on disclosure and openness to meet global frameworks such as the GRI framework,” Sira said, referring to the Global Reporting Initiative framework.

“With support coming from the market regulators, we expect to see more Thai businesses, especially large-scale organisations, adopting sustainability practices that comply with international standards. These firms can be models for their peers and competitors and help meet the demand of investors worldwide who tend to favour companies operating with a sustainability mindset,” he added.

The Thai bourse is looking to create the SET Sustainability Index (SET SI) to enhance listed companies’ social responsibility operations by encouraging the sustainability of the organisation and its development. The Thai market regulator, the Securities and Exchange Commission (SEC), is also planning to require firms to disclose

their corporate social responsibilities operations in their Form 56-1 and annual report. The regulation is expected to be effective from 1 January, 2014, according to the SEC's statement on 31 January 2013.

"The bourse's effort to improve listed companies' quality, say, to increase the number of Thai companies in the Dow Jones Sustainability Index (DJSI), should also bolster the demand to adopt sustainable practices among companies," Sira concluded.