

# Sustainability Disclosure in ASEAN

The ASEAN Extractive Sector

## Global Reporting Initiative (GRI)

This report was commissioned by GRI as part of its wider global engagement with the extractives sector. GRI is an international independent organisation that helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human rights, corruption and many others. GRI has pioneered sustainability reporting since the late 1990s, transforming it from a niche practice to one now adopted by a growing majority of organisations.



## CSR Asia

CSR Asia undertook the analysis and reporting of this research, in close consultation with GRI. CSR Asia is the leading provider of advisory services, research and training on sustainable business practices in Asia. In partnership with Oxfam CSR Asia has been focussing on the extractive sector in Asia since 2014. With a focus on ASEAN we have provided guidance materials, research and sector specific events. Find out more [here](#)



# General overview of disclosure in ASEAN

Each ASEAN member country has a different CSR and sustainability landscape, with some having established policies and practices while others are developing their approach. In this review we have focused on three aspects of this landscape – policy and regulation, voluntary expectations and incentives – and have broken down these aspects across each of the 10 ASEAN member states.

**Policy and regulation** specifically refers to national laws in place in each country, or other forms of mandatory regulation such as stock exchanges listing requirements.

**Voluntary expectations** cover reporting and disclosure expectations from voluntary disclosures, for example, following non-mandatory guidelines from industry authorities or stock exchanges, opportunities to list on sustainability indices, or other guidance or training provided by civil society.

**Government incentives** are also considered as a possible driver in this landscape encouraging sustainability disclosures.

The table below provides a high level summary of the current setting showing the existing drivers. It is clear that expectations exist throughout the majority of ASEAN countries, where over half are showing mandatory disclosures either already in force to some degree or on the regulatory horizon.

	Brunei	Cambodia	Indonesia	Laos	Malaysia	Myanmar	Philippines	Singapore	Thailand	Vietnam	
Policy & Regulation			✓	!	✓		✓	✓!	!	✓	<b>Key</b>
Expectations		✓	✓		✓	✓	✓	✓	✓	✓	✓ Existing driver
Incentives			✓		✓						! Change is expected

## National laws

- Indonesia's numerous laws for CSR and disclosure
- Philippines' Corporate Social Responsibility Act (2009, 2011)
- Singapore's Energy Conservation Act (2012) and The Environmental Public Health Act (2014)
- Vietnam's 2015 circular: public disclosure for listed companies

Indonesia has multiple laws and regulations relating to CSR and disclosure, but it is not the only country in the region to have such policy at the national level, with the Philippines, Singapore and Vietnam also having some ESG disclosure related laws though types of policies diverge from country to country.

In the Philippines the CSR act relates to companies taking responsibility for their operations, and for large tax payers to disclose CSR activities in their annual report. The general trend of CSR practices, however, appears to be ad-hoc by the companies meaning actions are taken without fully integrating CSR into the corporate management strategy.

Though not a CSR law as such, Singapore has made a noteworthy step in the area of mandatory corporate energy and greenhouse gas emissions measurement and simplification of energy regulation with the Energy Conservation Act (2012), where large industries report on energy usage and provide an energy management plan to government. The Environmental Public Health Act was also amended in 2014 to include mandatory reporting of waste data and waste reduction plan by large commercial premises. Taken together, mandatory reporting on both energy and waste implies that the country is improving the strength of sustainability-related regulation.

In 2015 Vietnam issued Circular No. 155/2015/TT-BTC on Public Disclosure for listed companies. This policy requires listed companies to report related impact of the company on the environment and society. This includes management of raw materials, energy consumption, water consumption, compliance with the law, policies related to employees, report on responsibility for local community, green capital market activities under the guidance of the State Securities Commission of Vietnam.

In Laos there are currently no CSR, sustainability, ESG disclosures or other related policies, though recent research has shown it is recognised that going forward the role of government will be important in defining, promoting and incentivising CSR in the Lao business community.

## **Mandatory stock exchange listing requirements**

- Bursa Malaysia CSR disclosure
- Philippines Stock Exchange for corporate governance
- Stock Exchange of Thailand (SET) for 'additional information'
- Upcoming: Singapore Exchange sustainability disclosures
- Upcoming: SET for ESG disclosure for new listings

As well as national laws, sustainability disclosures are also driven by the requirements of the stock exchanges. In ASEAN, Bursa Malaysia is currently the only exchange that requires mandatory CSR disclosures on a comply or explain basis. They will shortly be followed by the Singapore Exchange who are moving to mandatory sustainability reporting for listed companies on a 'comply or explain' basis, to take effect from 2017 for reporting in 2018.

Both the Philippines and the Thailand stock exchanges also require ESG disclosures to some extent:

- Philippines: Corporate Governance Guidelines for Listed Companies (“PSE CG Guidelines”) to implement on an ‘adopt or explain’ basis, where the focus is on the governance aspect of sustainability, but there is no requirement to disclose environmental or social performance specifically, nor details regarding the identification and management of stakeholders.
- Thailand: Annually report on the disclosure of additional information (Form 56-1)

In Thailand there is also there have also been indications from the Securities and Exchange Commission of Thailand that CSR disclosure will become mandatory for new firms listing, however, this was expected to be in place from January 2014 onwards but has not yet been implemented.

# Drilling deeper – voluntary expectations

Most ASEAN countries have some awareness of CSR reporting and expectation of disclosure. The most developed countries in this respect are the countries with policy and regulations established, though reporting is growing in the region. Differences across countries are linked to different groups driving the progress, be it government initiatives, professional organizations or NGO advocacy. For example, the Myanmar Centre for Responsible Business produces sector specific reports as well as an annual project to rank and analyse transparency of large Myanmar businesses, while in Malaysia the Business Sustainability Program (2010) by the exchange (2010) encourages Malaysian public listed companies to include sustainability in their business strategies. In Indonesia there are also several NGO advocates (e.g. the Foundation for Sustainable Development, National Centre for Sustainability Reporting, etc.), but also professional organisations promoting CSR practices (e.g. Indonesia Business Links - IBL).

There are also different levels of expectation within different member countries. For example, there is some awareness in Brunei, though ESG disclosure is very limited (no entries in the GRI database) – it is also interesting to note this trend alongside the absence of independent NGOs in Brunei promoting/monitoring disclosures/practices. CSR is also in its infancy in Laos, with CSR work largely uncoordinated. The Philippines has existing policy relating to corporate governance focused on philanthropic and community investment, though the Philippine Securities and Exchange Commission (PSEC) encourages listed companies to make additional ESG statements, particularly where environmental factors are significant or where employees are considered to be an important user group. Disclosure is often seen by multinationals and the finance sector across ASEAN, especially countries where there are no policies or regulation around sustainability disclosures, or countries which have a higher proportion of multinationals driving the business sector.

Sustainability indices are increasingly becoming a feature of global stock markets. Currently there are two ASEAN stock exchange indices from Indonesia and Malaysia and one combined ASEAN Index. This highlights the main driver for ESG disclosure – the investors. Sustainable investment in Asia is growing, with the market at \$53 billion (2014) from \$40 billion (2012) across Bangladesh, China, Hong Kong, India, Indonesia, Japan, South Korea, Malaysia, Pakistan, Singapore, Taiwan, Thailand and Vietnam. The largest Asian markets for sustainable investments, by asset size, are Malaysia, Hong Kong and South Korea, while the fastest growing markets are Indonesia and Singapore.

## **Different across countries**

- Different drivers of change
- Different levels of expectation

## **Disclosure in ASEAN often by multinationals and finance sector**

## **Sustainability Indices**

- Sustainability Index Indonesia Stock Exchange
- FTSE4Good Bursa Malaysia (F4GBM)/FTSE5Good ASEAN 5 Index
- Channel NewsAsia Sustainability Ranking

## **Government incentives**

- Malaysian Employee Provident Fund (2007) - Assets of \$79 billion
- Investing in companies with good CSR practices
- Indonesia's Social and Environmental Responsibility for Limited Liability Companies (2012)
- Potential reward offered to companies adhering to the regulation

## **Business incentives**

- Investment
- Competition

Government incentives are again seen in Indonesia and Malaysia, with funds and rewards offered to companies around compliance, application and management of ESG issues and policy.

There are also business incentives available in the ASEAN region as well as government incentives. The market for sustainable investment in Asia is growing, and disclosure of ESG information is the main entry point for companies to be included in this market. Sustainable investment also links to another key business incentive – competition. Keeping up with competitors and being on the leading edge of developments are important drives in business decisions, and this includes the strategic decision to disclose on ESG indicators.

# Benchmarking ASEAN extractive companies

Benchmarking focused on the junior extractive companies operating in ASEAN member countries (ASEAN extractive companies). Such companies may, because of their size or business models, face particular challenges relating to sustainability issues, though can still also usefully report on these challenges through the GRI G4 Guidelines and GRI Sector Disclosures and improve their approach.

This research centres around reviewing public disclosure, specifically the information available on the company website, sustainability report, annual report or other published information by the selected ASEAN extractive companies to provide an assessment of sustainability topics (“GRI Aspects”) and the general state of reporting in this sector. This includes consideration of 52 companies selected across the following groupings: representation from all ASEAN countries, representation across the range of extractive activities in the region, and representation of both listed and non-listed companies.

The purpose of the benchmark is to score companies on their disclosure to selected indicators – in this case the key GRI G4 indicators, Mining & Metals Sector Disclosure indicators, Oil & Gas Sector Disclosure indicators, and relevant International Petroleum Industry Environmental Conservation Association (IPIECA) indicators.

Indicators selected for this benchmarking process were based on GRI’s research into key issues in the metals and mining sector, and CSR Asia’s knowledge of issues considered as critical to be disclosed by the extractive companies in the ASEAN region. The performance of each company against the selected indicators was given a score of 0-3, with:

- 0: No disclosure found
- 1: Mention of the issue
- 2: Some disclosure without details of implementation or information
- 3: Full disclosure with details of implementation and relevant information

## **52 companies identified with representation from:**

- All ASEAN countries
- A range of extractive activities in the region (including oil and gas and mining)
- Both listed and non-listed companies

## **Publicly available material reviewed against:**

- Key GRI G4 indicators
- GRI G4 Mining & Metals Sector Disclosure indicators
- Oil & Gas Sector Disclosure indicators
- Relevant IPIECA indicators

## **Score given against each indicator between 0-3**

- 0 being no disclosure and 3 being full disclosure

# Benchmarking oil and gas companies

28 companies oil and gas companies were benchmarked, 24 of which were headquartered in ASEAN. Of the 24, 54% had publicly disclosed ESG related data through reports or company websites and only 16% had reported using GRI Sustainability Reporting Guidelines. Those companies that operate solely within ASEAN but are registered outside of ASEAN were not considered further as different disclosure regulations are applicable.

The top performing companies were associated with Thailand, Malaysia and Indonesia. GRI reporting companies were mostly from Thailand, only one company from Malaysia was recorded as applying the IPIECA guidelines. Of the ASEAN companies, only 3 Thai companies employed external assurance for their reporting.

Few companies were identified as registered in Cambodia. As Cambodia only recently opened to oil & gas exploration, this is likely due to the new market conditions.

Indonesia is the only EITI compliant country in ASEAN, though Myanmar and the Philippines are both EITI candidate countries. Of the companies benchmarked, only 1 Indonesian company mentioned EITI participation.

**28 companies reviewed: 24 (86%) registered in ASEAN with 14% registered in non-ASEAN countries**

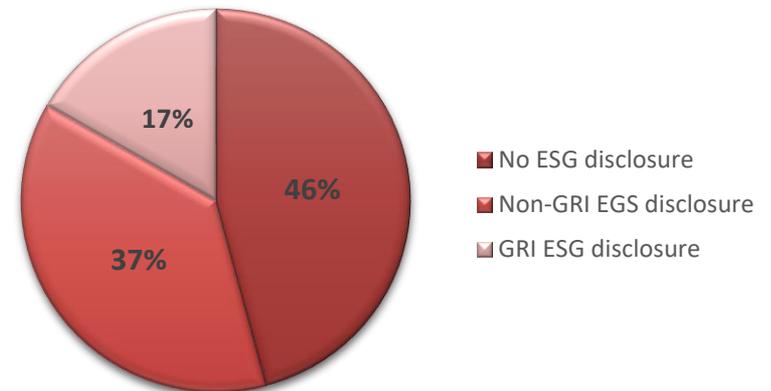
**54% of ASEAN companies disclosed ESG data**

- 6% applied GRI Sustainability Reporting Guidelines
- GRI reporting seen in mostly Thai companies
- External assurance in only Thai companies

**4% disclosed Extractive Industries Transparency Initiative (EITI) participation**

**Only 1 Indonesian company mentioned EITI participation**

**ASEAN extractive companies: ESG disclosure for oil and gas sector**



## Summary of findings:

- 8% disclosed value of tax paid to government
- 16% disclosed water withdrawal, water reuse/recycle and wastewater discharge
- No disclosure on produced water (e.g. effluents)
- 8% disclosed emissions by operational approach and equity share approach
- No disclosure on workforce representation by HSE committees or HSE topics covered in formal agreements
- 54% disclosed community related information and 29% conducted needs assessment
- 8% disclosed emergency preparedness efforts

The following results apply only to the benchmarked companies that have their head offices in the ASEAN regions.

**Economic:** Although 21% of companies disclosed their financial performance, only 8% disclosed the value of tax paid to the governments.

**Water:** 16% of companies disclosed water consumption and source, of which only 8% disclosed their efforts to mitigate the impacts on water sources that are significantly affected by their water withdrawal. 16% of companies also disclosed water reusing/recycling performance. None of the companies reported on produced water.

**Emissions:** 16% disclosed Scope 1, 12% Scope 2, and 8% Scope 3 emissions. Only 8% disclosed emissions by operational approach and equity share approach.

**HSE:** 54% disclosed HSE data, 29% disclosed their HSE efforts, and 25% disclose HSE statistics. None of the companies disclosed data related to percentage of workforce represented by joint management-worker HSE committee or if HSE topics are covered by formal agreements with trade unions.

**Communities:** Although 54% disclosed involvement with communities, only 29% disclosed community needs assessment and 25% have conduct Environmental/Social Impact Assessment.

**Emergency response:** 8% have disclosed emergency preparedness efforts.

# Benchmarking metal and mining companies

24 companies were benchmarked: 16 of which were headquartered in the ASEAN region, while the remaining 8 were headquartered in countries including Australia, Canada, and the USA. Of the 16 ASEAN-based companies, 63% had publicly disclosed ESG related data through reports or company websites, with disclosures dominated by sustainability reports with 31% applying GRI Guidelines.

No operating mining companies have been identified in Brunei. In the wider ASEAN region, many local metals and mining companies were found to be based abroad, higher than that seen for the oil and gas sector selection. Cambodia has the most companies based outside of the country in both oil and gas and mining sectors, due to the developing extractives market in the country.

Generally it was the companies with the highest market cap that tend to disclose more information, though the benchmarking exercise also showed Indonesian metals and mining companies to be disclosing the most information.

More ESG disclosure was observed in the ASEAN metals and mining sector than the oil and gas sector (higher benchmarking scores seen), with a higher percentage of companies also showing application of GRI Sustainability Reporting Guidelines in this sector when compared to oil and gas. External assurance is, however, still limited.

Both Indonesia and the Philippines had companies disclosing on EITI participation.

## 24 companies assessed, 16 registered in ASEAN

### 63% of ASEAN companies disclosed ESG data

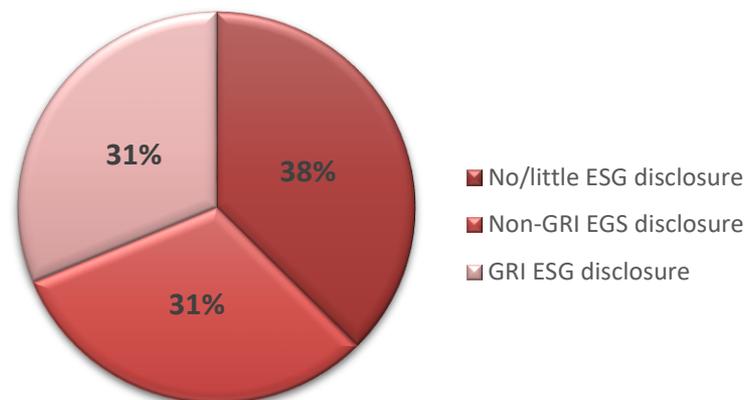
- More disclosure by metal and mining companies than oil and gas companies
- 6 companies have little to no public disclosure
- 31% applied GRI Sustainability Reporting Guidelines

### External assurance in only 2 ASEAN companies

### 19% disclosed EITI participation

- 1 Indonesian company
- 1 Philippine company
- 1 Lao company

## ASEAN extractive companies: ESG disclosure for metals and mining sector



## Summary of findings:

- Governance most disclosed at 63%, while 44% declared revenues
- 13% disclosed on materials, and 38% disclosed on energy
- 31% disclosed on water withdrawal, though only 13% addressed impacts of withdrawal
- 18% covered some form of biodiversity disclosure in reporting
- Majority disclosed on land rehabilitation, but only 13% disclosed fully
- 44% disclosed emissions data, none disclosed fully
- 31% disclosed spills data, none disclosed fully
- 63% disclosed involvement with local communities, only 13% addressed impact assessment
- 25% disclosed resettlement approach, with 50% reporting on closure planning in some form

The following results apply only to the benchmarked companies that have their head offices in the ASEAN regions.

**Governance:** Structure and ownership are most disclosed ESG indicators across companies with the majority publically disclosing to some degree, mostly through websites.

**Economic:** Declaration of revenue was strongly associated with listed companies, but no companies disclosed financial assistance

**Materials:** Materials refers to total weight or volume of materials that are used to produce and package the organization's primary products and services, and is considered a significant disclosure for this industry – only 13% of benchmarked companies disclosed this information

**Energy:** All GRI reports disclosed energy information, though a non-reporting company also provided this information on their website.

**Biodiversity:** In general, biodiversity was not considered 'material' in majority of reports. Many focused on land rehabilitation but not the ecological impacts of operations and closure.

**Community:** The most reported indicators in the sector are those within the Aspect of 'Local Community', though only 3 companies detailed any impact assessments undertaken.

**Closure:** Closure planning was reported by half of the ASEAN companies included in the study, though only a quarter disclosed on resettlement planning.

## **ESG disclosure are becoming more important in ASEAN**

- ASEAN companies are already disclosing
- 58% of ASEAN companies studied reported ESG
- 19% of ASEAN companies applying GRI Guidelines

## **Use of GRI Guidelines associated with higher scores**

## **Companies would benefit from a focus on materiality to get the most from the disclosures**

ESG disclosures are becoming more important in ASEAN, with recent changes in policy, regulation and guidelines seen across member countries. Drivers for change include national policy, stock exchanges, and civil society. For the extractive industry, particularly in the Mekong countries, EIA/ESIA regulations are being introduced and include requirements for transparency. Regular sustainability disclosure can enable the implantation of these requirements.

ASEAN companies are already providing ESG disclosures, as shown in this study where 58% of ASEAN companies benchmarked released some form of ESG information, be it through reports (19% in accordance with GRI guidelines) or via a company website. The use of GRI guidelines were associated with the companies scoring higher.

Reporting companies would benefit from focusing on further developing and refining their materiality process to get the most from the disclosures– for example, biodiversity is missing from many of the mining sector reports and is known to be significant issue for disclosure. This process would also benefit non-reporting companies in order to establish most important disclosures for their websites or other reporting processes.

Many smaller companies in this sector are hard to identify and provide no public disclosure of their legal entity or operations; further research should focus on identifying these companies. Industries providing supporting services to the sector have also not been assessed or engaged in this research; future studies should assess their role and transparency in exploration and operations.

This report has focussed on traditional oil and gas and mining and metals companies only. We anticipate that sand mining will come under greater scrutiny moving forward and would suggest that follow up research include this sector.