

As 2021 came to a close, we invited C-Suite leaders from across Asia Pacific to share their insights and concerns about engaging with long-term ESG targets. The key themes presented here are gathered from our closed-door roundtable, which was conducted in accordance with Chatham House rules.

These are five key facets of the challenges, opportunities and outlook facing C-suite leaders in the region as they strive to advance ESG strategy and drive meaningful action.



### Private Sector Momentum



### Managing Investor Considerations



### COP26 and Global Signalling



### ESG-Aligned Technology



### Development of ESG Regulation

## Private Sector Momentum

### Larger Companies to Step Up



Businesses understand that the onus to drive ESG agendas in the region is on them. Yet, for many Small to Medium Enterprises (SMEs), figuring out where to start and what processes to implement is a common struggle. There is an opportunity for larger companies and consulting firms to play a vital role in taking the lead to help SMEs start on their decarbonisation journey.

### Stakeholder Pressure Rises



Businesses are under pressure to address ESG issues from stakeholders, including investors, shareholders and customers. In recent years, the proportion of questions about ESG matters from investors at AGMs has risen significantly. While these external pressures have helped to speed up the process of incorporating environmental criteria within internal decision-making processes, businesses must continue to demonstrate how they will fulfil their ESG commitments.

## Managing Investor Considerations

### Commercial Viability



Debates on coal reduction and energy are becoming increasingly complex as investors may not always see their best interests reflected in projects aimed solely at achieving governmental net-zero targets such as energy security and energy affordability projects.

It is particularly true for the debate about coal reduction because issues that are crucial for governments when setting their net-zero targets, like energy security and energy affordability, may not be in investors' best interests. When setting ESG targets, it is therefore important to remember that from an investor's perspective, ESG is about commercial viability and not development finance.

### 360° Responsibility



C-Suite leaders expressed that the social (i.e. "S") aspects of ESG are extremely important in Asia Pacific and the risk of not getting it right is costly. They emphasized the need for just and fair practices through every stage of an ESG project as there are still the risks of not adequately addressing social issues in a good environmental project. Society expects all organizations across industries to bear greater responsibility to meet sustainability requirements, though it is still difficult to measure social impacts.



ESG goals are becoming more engrained in financing packages and new financial products are being developed to help support businesses adjust to low-carbon economies. Green, sustainability linked and transition focused financial products are gaining popularity and governments around the region are encouraging financial institutions to help facilitate corporates transition to more sustainable business models.

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## COP26 and Global Signalling

### Increased Scrutiny and Focus Post-COP26



COP26 has made ESG considerations a mainstream priority for businesses globally. The mandate is clear — every company should develop an ESG strategy and adopt new operating models to help deliver on COP26 commitments. Positive outcomes from COP26 include the prospect of over USD 130 trillion being channelled to fund net-zero projects. The continual challenge here is for companies to commit to an actionable, detailed plan.

### Eyes on Coal Industry



COP26 also painted a sombre reality that more needs to be done to keep the global temperature below rising 1.5°C. The failure to achieve a transformative agreement on coal reduction suggests that the coal industry now faces an important dilemma over whether to prioritize economic development or the future of the planet.

## ESG-Aligned Technology



### Harnessing Current Solutions for Future Good

Advancement in Internet of Things (IoT) and Artificial Intelligence (AI) technologies can help businesses take tangible and productive actions now to fulfil commitments for energy management and efficiency come 2050. C-Suite leaders recognize that the technologies to achieve 2050 goals do not exist today and it will be misguided to wait for these technologies to be developed.

Instead, leaders believe more needs to be done with existing technologies to drive energy efficiency and to switch as much as possible to renewable energy sources. The imminent priority is to invest in technologies and projects now, in order to facilitate successful longer-term energy transition.

## Development of ESG Regulation

### An Evolving Journey



C-Suite leaders recognize that ESG regulatory frameworks are works in progress, particularly in Asia Pacific. Currently, companies continue to navigate fragmented regulation across the region and globally, taking a pragmatic approach to determine what to consider the “lowest” or the “highest” common denominator regulation. Rules are being developed at different speeds, with local priorities impacting their proposed scope and application. Given this, the market will have to rely upon global frameworks, like the one developed by the Task Force on Climate-related Financial Disclosure (TCFD), coming into place.

### Learning and Improving



Leaders agree that Europe leads the way in ESG regulation, but note it is unlikely that a uniform ESG taxonomy will emerge. Instead, they expect to have to adhere to different legislation specific to jurisdictions. Regulators across the world, including within the Asia Pacific region, identifying best practices from the EU as reference points and adapting them to create their own guidelines and in their documentation. Such developments will not only provide a regulatory framework to companies but will also level the playing field within the region.

## The Way Forward

ESG momentum is set to be a mainstay of business in Asia Pacific. In addition to raising awareness, companies are developing various approaches and implementing best practices to keep their sustainability requirements mainstream and meet investors’ expectations. Best practices include new HR strategies, leveraging global processes into challenging markets, recognizing and using influence to drive change in new markets, and including sustainability related criteria when assessing suppliers.

In summary, businesses in Asia Pacific are now facing mounting internal and external pressures to drive ESG action, despite facing uncertainty on the regulatory and reporting fronts. More importantly, they are poised to take action sooner rather than later.



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