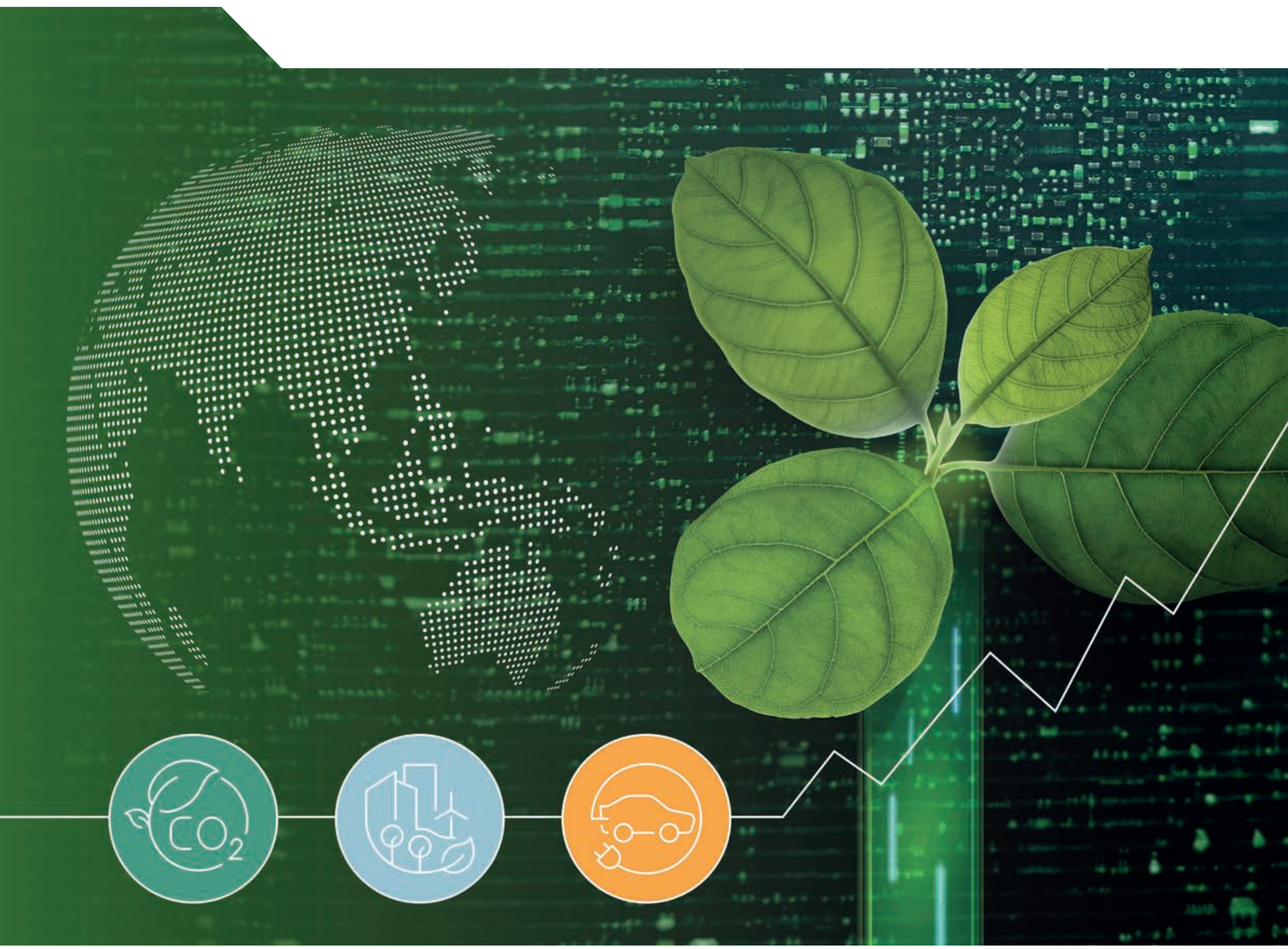
Corporate Governance

Sustainability Policies and Practices for Corporate Governance in Asia



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Foreword

This report offers a comprehensive review of the main trends and issues related to sustainability policies and practices for corporate governance in Asia. It provides information for policy makers, regulators and market participants on some of the key dimensions they may consider when assessing or improving their national corporate governance frameworks on sustainability matters.

The report provides an overview of the current sustainability disclosure policies and practices, the responsibilities of company boards and shareholder rights in 18 Asian jurisdictions, in alignment with the G20/OECD Principles of Corporate Governance (hereafter "G20/OECD Principles"). The revised G20/OECD Principles – the leading international standard in the field of corporate governance – were adopted by OECD Ministers and endorsed by G20 Leaders in 2023. An overarching goal of the revision was to promote corporate governance policies that support the sustainability and resilience of corporations which, in turn, can contribute to the sustainability and resilience of the broader economy. In particular, the G20/OECD Principles include a new chapter on "Sustainability and resilience", which provides recommendations to support companies in managing the risks and opportunities of the climate transition and other sustainability challenges. This report offers a baseline for understanding how Asian jurisdictions will be making progress on sustainability-related policies and practices. Future work is envisioned with the participants of the OECD-Asia Roundtable on Corporate Governance to continue supporting good corporate governance policies and practices in the region in line with the revised G20/OECD Principles.

This report was authored by Anna Dawson, Carl Magnus Magnusson, Tugba Mulazimoglu and Yun Tang under the supervision of Alejandra Medina, all from the Capital Markets and Financial Institutions Division of the OECD Directorate for Financial and Enterprise Affairs. The report was shared for comments with the jurisdictions participating in the OECD-Asia Roundtable on Corporate Governance. The authors are grateful for the inputs received from 16 Asian jurisdictions, namely, the People's Republic of China (hereafter 'China'), Hong Kong (China), India, Indonesia, Japan, Korea, Lao PDR, Malaysia, Mongolia, Pakistan, the Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Viet Nam. The report was prepared with the financial support of the Government of Japan.

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Acronyms and abbreviations

AGM	annual general meeting	ISAE	International Standard on Assurance Engagements
ASEAN	Association of Southeast Asian Nations	ISO	International Organization for Standardization
BIS	Bank for International Settlements	ISSB	International Sustainability Standards Board
BRSR	Business Responsibility and Sustainability Reporting	JPX	Japan Stock Exchange
CDSB	Climate Disclosure Standards Board	KASB	Korean Accounting Standards Board
CDP	Carbon Disclosure Project	KOSPI	Korean Composite Stock Price Indexes
CPI	consumer price index	KPI	key performance indicators
CSRC	China Securities Regulatory Commission	KCGS	Korea Corporate Governance Service
ECB	European Central Bank	MED	Ministry of Entrepreneur Development
EC	European Commission	MSCI	Morgan Stanley Capital International
EGM	extraordinary general meeting	NDC	nationally determined contributions
ESG	environmental, social, and governance	OECD	Organisation for Economic Co-operation and Development
ETF	exchange traded fund	OTC	over-the-counter
EU	European Union	OJK	Financial Services Authority of Indonesia
FSA	Financial Services Agency of Japan	REITs	real estate investment trusts
FRC	Financial Regulatory Commission of Mongolia	SASB	Sustainability Accounting Standards
FSC	Korea Financial Services Commission	SEBI	Securities and Exchange Board of India
GDP	gross domestic product	SEC	Securities Exchange Commission
GHG	greenhouse gas	SGX	Singapore Exchange
GMS	general meeting of shareholders	SICS	Sustainable Industry Classification System
GRI	Global Reporting Initiative	SME	small and medium-sized enterprise
GSIA	Global Sustainable Investment Alliance	SOE	state-owned enterprises
HKEX	Hong Kong Stock Exchange	SPO	secondary public offering
IASB	International Accounting Standards Board	SSAE	Singapore Standards on Assurance Engagement
ICAI	Institute of Chartered Accountants of India	SSS	social, sustainability and sustainability-linked
ICAS	Institute of Chartered Accountants of Sri Lanka	SSC	State Securities Commission of Viet Nam
IFC	International Finance Corporation	SWF	sovereign wealth fund
IFRS	International Financial Reporting Standards	TCFD	Task Force on Climate-Related Financial Disclosures
IMF	International Monetary Fund	TPEx	Taipei Stock Exchange
IPCC	Intergovernmental Panel on Climate Change	TRBC	Thomson Reuters Business Classification
IPO	initial public offering	TWSE	Taiwan Stock Exchange
IR	Integrated Reporting		

Executive summary

Asian markets have experienced sustained growth since 2005. Today, Asian listed companies represent over half of the total number of companies listed around the world and one-third of global market capitalisation. By the end of 2022, there were almost 25 000 Asian listed companies with a total market capitalisation of USD 30 trillion, equivalent to 91% of the total GDP of the region. Given the size and relevance of Asian markets, the regulatory frameworks and sustainability practices of corporations will have a significant impact beyond Asia. This report presents a comprehensive overview of the main trends and issues related to sustainability policies and practices for corporate governance in 18 Asian jurisdictions. It focusses on the disclosure of sustainability-related information, responsibilities of company boards, shareholder rights and the role of regional capital markets in allocating resources to achieve net zero commitments.

Among a wide range of sustainability-related issues, climate change and human capital are the most prevalent issues in Asia and globally.

In Asia, companies that account for 62% of the regional market capitalisation are considered to face financially material climate change-related risks. The share at risk globally is similar, corresponding to 64% of the global market capitalisation. Human capital is considered to be a financially material risk for companies representing 59% of the market capitalisation in Asia, globally this number is 64%.

Companies included in major investable indices are more likely to disclose sustainability-related information.

Major Asian and global ESG/climate investable indices include to a greater extent larger companies and companies from the healthcare and technology sectors compared to the allocation of their parent indices. Importantly, companies included in major indices are more likely to disclose sustainability information than companies not included in indices.

Over the past decade, there has been a substantial growth in sustainable corporate bond issuances, although this still represents a small share of the market.

Sustainable bonds represent a small share of total corporate bond issuance, 6% in Asia and 8% globally in 2022. Green bonds are by far the dominant category of sustainable bonds, both in Asia and globally, representing roughly three-quarters of total proceeds. Social bonds are less common in Asia, representing only 4% of total proceeds compared to 9% globally.

All 18 Asian jurisdictions have a national legal framework requiring corporate sustainability disclosure.

Thirteen Asian jurisdictions have implemented, or are considering implementing, binding regulatory requirements for corporate sustainability disclosure. Four jurisdictions have a corporate governance code with a comply or explain approach for corporate sustainability disclosure, while one jurisdiction has issued recommendations on sustainability disclosure.

Several Asian jurisdictions have created local frameworks/standards for sustainability disclosure or provided guidance with respect to certain elements of internationally accepted standards.

Twelve Asian jurisdictions have already developed or are developing local disclosure frameworks/standards for companies to disclose sustainability-related information. Most of these jurisdictions include certain aspects of, or suggest the use of, international standards and frameworks. Two jurisdictions have created their own sustainability standards boards.

Companies disclosing sustainability-related information represent a small share of the number of listed companies and a higher share when measured by market capitalisation, consistent with the global trend.

In Asia, 13% of listed companies disclose sustainability information in the form of a sustainability report or an integrated report that includes sustainability issues, equivalent to 74% of total market capitalisation in 2021. Globally, these numbers are higher at 19% of all listed companies, representing 84% of global market capitalisation.

Assurance of sustainability-related information by an independent third party is less frequent in Asia.

Independent assurance is encouraged in several Asian jurisdictions and mandatory in two. In practice, the sustainability information disclosed by only 4% of all Asian listed companies (37% of the regional market capitalisation) was reviewed by a competent and qualified assurance service provider. Globally this compares to 6% of listed companies, representing 51% of market capitalisation.

Several Asian jurisdictions have introduced regulatory frameworks governing how boards should manage sustainability risks.

In 14 jurisdictions directors would have to consider stakeholders' interests and the social and environmental stakes of a company's activity, even while their core duty may be to act in shareholders' best interests. The business judgement rule, or a similar safe harbour for directors in their decision making, is applied in 11 jurisdictions.

An increasing number of companies include sustainability-related metrics in their performance measures and establish committees for overseeing the management of sustainability issues.

Companies representing 66% of Asia's market capitalisation have performance-based incentives for executives, with only 9% linking this to sustainability factors in 2021. Globally, this compares to companies representing 85% of global market capitalisation, with 44% of market capitalisation including a variable component of executive remuneration based on sustainability factors.

In Asia, companies representing around a third of the region's market capitalisation have established a committee responsible for overseeing the management of sustainability risks and opportunities, representing only 6% of the number of Asian listed companies. Globally, this is around a half of the world's market capitalisation, which is less than 10% of listed companies.

Sustainability matters – in particular climate-related matters – have become an important component of shareholder engagement.

Globally, there were 146 environmental shareholder resolutions voted on in 2022, representing a 22% increase compared to 2021. Around 55% of these proposals mentioned climate-related policies, strategies, targets and/or reporting. In Asia, shareholder resolutions related to climate are also becoming more common, but are still at a low number.

Asian jurisdictions made important commitments related to climate change, and a significant share of Asian companies disclose information on GHG emissions.

Fourteen Asian jurisdictions have made commitments to achieving carbon neutrality and/or net-zero GHG emissions by 2050. In 2021, 1 766 Asian companies representing 53% of the region's total market capitalisation publicly disclosed scope 1 and 2 emissions, lower than share of companies disclosing at the global level. Companies representing 37% of Asia's market capitalisation disclose their GHG emissions reduction targets, with the share being almost twice at the global level.

1 Capital markets and key sustainability issues in Asia

This chapter provides an overview of the significant growth of capital markets in selected Asian jurisdictions. It summarises key aspects and trends on how these markets function and highlights key sustainability issues for Asian capital markets.

Capital markets play an important role in driving economic growth. Access to capital markets, in particular equity markets, not only provides companies access to the much-needed funding which is essential for innovation, but also benefits households by providing them with opportunities to participate in corporate value creation and save for their retirement. In the context of sustainability, a well-functioning capital allocation mechanism will play a key role in the decarbonisation process, as economies will require an enormous mobilisation of private capital to invest in uncertain and innovative ventures. Market-based financing is well-suited to finance such ventures by providing risk-willing long-term capital. Regulatory frameworks for companies accessing capital in public markets can also be used to encourage companies to disclose more information about their sustainability practices and policies, and provide investors with the opportunity to influence and support the necessary business transformation of companies.

1.1. Public equity markets overview

Over the past two decades, equity markets in Asia have grown significantly and now Asia is home to almost 25 000 companies with a total market capitalisation of USD 30 trillion, equivalent to 91% of its total GDP (Figure 1.1). This is to a large extent driven by the IPO activity undertaken by Asian companies. Indeed, there has been a marked increase in the participation of Asian companies in global equity markets, with their portion of global IPO proceeds rising from 22% in the 1990s to 44% during the period from 2012 to 2022. In particular, China and India rank among the top three jurisdictions globally by number of non-financial company IPOs during the last decade, driving a significant increase in the number of listed companies in Asia.

By the end of 2022, the aggregate market capitalisation of emerging Asian equity markets stood at USD 18 trillion, made up of nearly 15 000 listed companies. Equity markets in advanced Asia hosted over 10 000 listed companies, with a total market capitalisation of USD 12 trillion. However, there are still significant differences in the relative size of equity markets in the broader economy between advanced and emerging Asia. In advanced Asia, the aggregate ratio between market capitalisation and GDP is a considerable 164%, which is particularly driven by financial hubs, such as Hong Kong (China), where the ratio is over 900%. In comparison, emerging Asia has a much lower value of market capitalisation to GDP (69%), indicating that there is still considerable untapped potential in these equity markets. The ASEAN region, despite representing a relatively small share of Asia’s market capitalisation, is home to 16% of the total number of listed companies in Asia.

At the jurisdiction level, as more companies enter the public markets, many Asian jurisdictions have seen their equity market capitalisation surpassing GDP levels. These include Japan, India, Hong Kong (China), Chinese Taipei and Thailand. In China, despite being the largest equity market in Asia (USD 12 trillion), its market capitalisation only represents 67% of GDP. This reveals considerable potential for its listed companies to contribute more to the nation’s economy. Japan ranks second after China, with almost 4 000 listed companies and a total market capitalisation of USD 5.4 trillion, representing 127% of its GDP. India is the largest market by the number of listed companies (4 960), representing 20% of the region’s total, closely followed by China with 4 911 listed companies.

Figure 1.1. Equity markets overview, end-2022

	Number of companies	Market capitalisation (USD trillions/billions)	% of GDP	Median market capitalisation of listed companies (USD millions)
By region				
World	43 970	98 T	98%	111 M
Asia	24 784	30 T	91%	112 M
Emerging Asia	14 597	18 T	69%	118 M
Advanced Asia	10 187	12 T	164%	109 M
ASEAN	3 983	2 T	66%	53 M
By jurisdiction				
China	4 911	12 T	67%	775 M
Japan	3 904	5 370 B	127%	125 M
India	4 960	3 410 B	101%	9 M
Hong Kong (China)	2 411	3 360 B	931%	80 M
Korea	2 331	1 640 B	98%	101 M
Chinese Taipei	971	1 450 B	190%	239 M
Indonesia	823	608 B	46%	77 M
Thailand	612	572 B	107%	124 M
Singapore	570	434 B	93%	35 M
Malaysia	967	378 B	93%	43 M
Philippines	269	230 B	57%	92 M
Viet Nam	742	181 B	45%	18 M

Notes: Companies listed on stock exchanges identified as over-the-counter (OTC) and multilateral trading facility (MTF) are excluded from the analysis. The sample comprises exclusively primary listings, with secondary listings being excluded. In the case of Hong Kong (China), the numbers reported by the stock exchange are higher than those reported here owing to the fact that the OECD methodology excludes secondary listings. In China, the Beijing Stock Exchange is excluded from the statistics as this exchange mainly serves innovative small and medium-sized enterprises and all identifiable growth markets are excluded from the statistics. Therefore, the number displayed here could differ from the stock exchange's official statistics.
Source: OECD Capital Market Series dataset, LSEG Datastream, see Annex for details.

One important observation shown in Figure 1.1 relates to the size of listed companies. Listed companies in Asia have a median size of USD 112 million, corresponding in scale to their global counterparts. The only exception is the ASEAN region, where the median size of listed companies is only around half of their counterparts in Asia (USD 53 million).

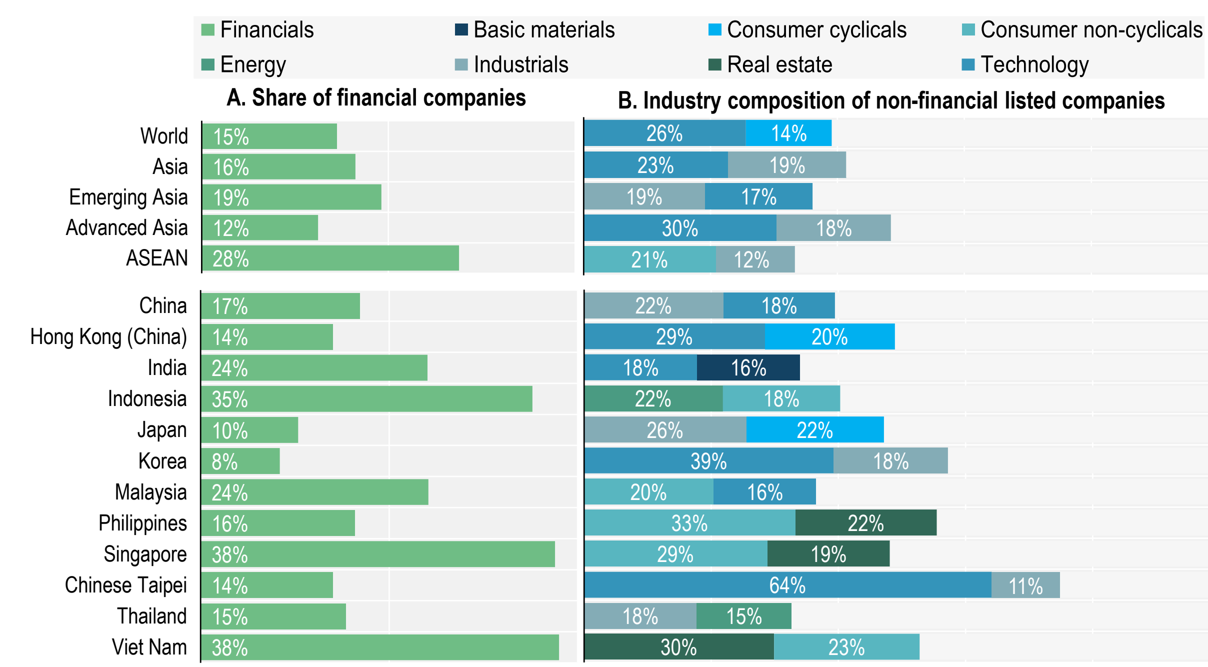
At the jurisdiction level, this difference is even more pronounced. Notably, in China, listed companies have a median size of USD 775 million, over six times larger than in Japan, which has the second-highest median company size. Indeed, the median company listed in China is even larger than the median company listed in the United States.[1] This has been largely driven by the strict listing requirements imposed by the Chinese Securities Regulatory Commission and stock exchanges.[2] Moreover, a significant number of listed companies in China are state-owned enterprises (SOEs), which are often large companies. On the contrary, in India, the median size of listed companies is only USD 9 million, suggesting that even smaller growth companies have been able to tap into public equity markets. Within ASEAN economies, while listed companies in Thailand and the Philippines are relatively large (with a median size of USD 124 million and USD 92 million respectively), in Singapore, Malaysia and Viet Nam, the median size of listed companies falls between USD 18-43 million, a figure considerably lower than in other parts of Asia.

With respect to industry composition, shown in Figure 1.2, financial companies account for a significant share of market capitalisation in Asia, particularly in emerging Asia and in ASEAN economies. This is primarily driven by a strong banking sector. A detailed examination shows that in emerging Asia the banking sector makes up 67% of the financial industry, and this number is even higher in ASEAN economies (87%). In comparison, in developed Asian economies such as Japan and Korea, the banking sector accounts for a much lower share of the financial industry (55% and 48% respectively). This dominant position of the banking sector in the emerging Asia and ASEAN regions implies that banks still play a prominent role in providing financing. Indeed, in ASEAN economies such as Indonesia, the Philippines and Viet Nam, between 80% to 100% of corporate funding corresponds to bank loans (Zurich Insurance Group, 2021[1]).

When examining the industry composition excluding the financial sector, technology and industrial companies are dominant in Asia. Indeed, in advanced Asia, technology companies represent almost one-third of total market capitalisation, followed by industrial companies (18%). In emerging Asia, the industrial sector makes up 19% of the market capitalisation, while the technology sector represents 17%. In Chinese Taipei and Korea, the technology sector accounts for as much as 64% and 39% of the market capitalisation, respectively. This is largely because both Chinese Taipei and Korea have strategically positioned themselves in the global technology supply chain as key semiconductor hubs (Financial Times, 2023[3]). For China and Japan, industrial companies make up the lion's share, representing 22% and 26% of the domestic market capitalisation. This dominance of industrial companies in public equity markets of China and Japan is a reflection of their strong industrial sectors worldwide.

Across most ASEAN markets, the consumer non-cyclical sector stands out as the largest sector, well beyond the levels seen in other parts of Asia and globally. Specifically, in Singapore and the Philippines, companies in the consumer non-cyclical sector represent around one-third of the market capitalisation. In Indonesia, Malaysia and Thailand, the consumer non-cyclical sector also accounts for around 20% of the market capitalisation. The real estate sector also plays a major role, representing 30% of the market capitalisation in Viet Nam, and around 20% in both Singapore and the Philippines.

Figure 1.2. Industry composition of listed companies, end-2022

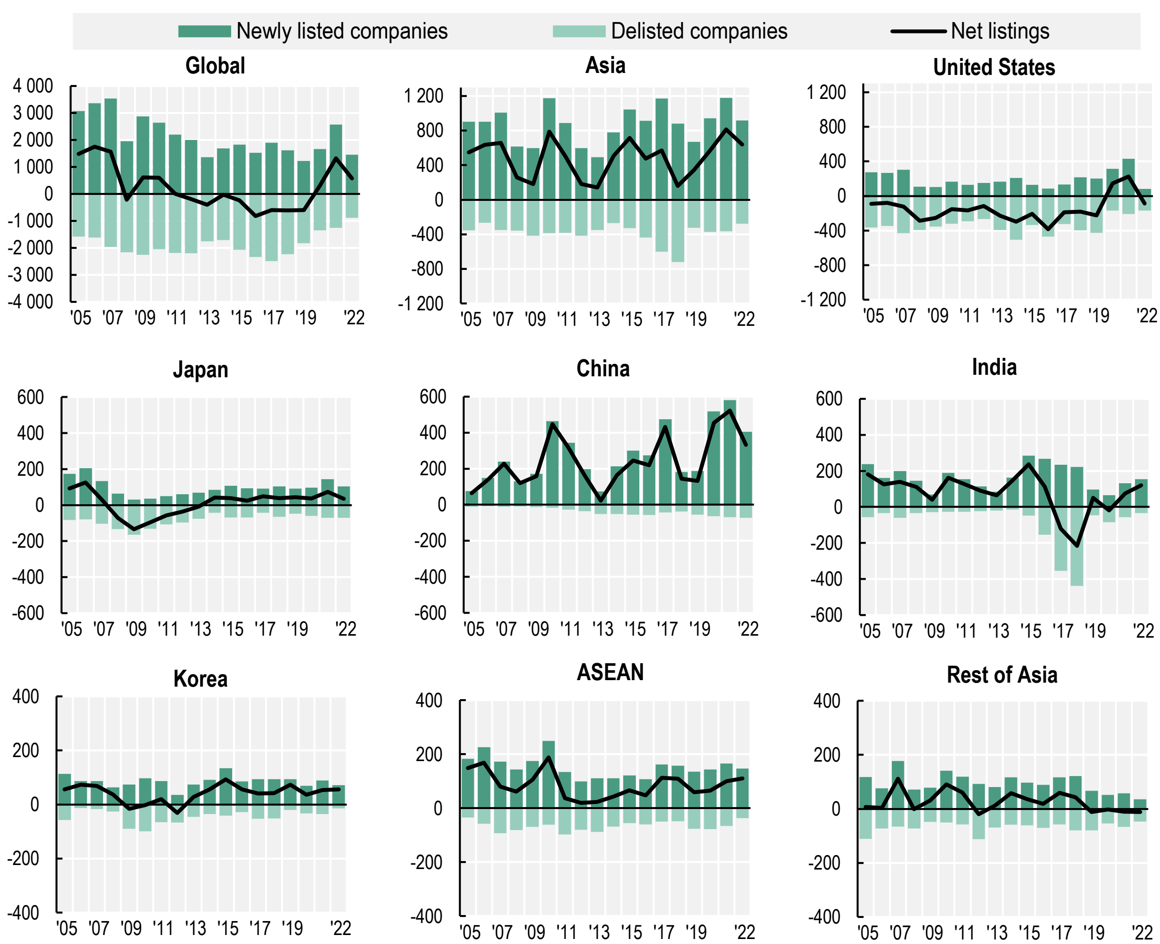


Note: Panel B of the figure shows for each region/jurisdiction the top two industries by market capitalisation.
Source: OECD Capital Market Series dataset, LSEG Datastream, see Annex for details.

In addition to the strong IPO activity in Asian equity markets, very few companies have delisted from regional stock exchanges, leading to positive net listings for most Asian markets. Indeed, with an average of almost 900 new listings and 400 delistings per year, Asia has seen a sustained increase in the total number of listed companies each year since 2005 (Figure 1.3). This is counter to a broader global trend of net delistings, particularly in many advanced markets. In the United States, the number of delistings was larger than that of new listings in every single year between 2005 and 2019.

The listing and delisting trends also vary across Asian economies. In China, with an average of 38 delistings and nearly 277 new listings per year, there has been a pronounced growth in the number of listed companies. ASEAN economies, as well as India have shown a similar trend. The only exception for India has been during 2017 and 2018, when Indian authorities clamped down on shell companies, both listed and unlisted, for being used as conduits for illicit fund flows (The Times of India, 2018[4]). Japan, despite a period of negative net listings between 2008 and 2013, has seen a rebound in the last ten years.

Figure 1.3. Listing and delisting trends in Asia



Source: OECD Capital Market Series dataset, LSEG Datastream, see Annex for details.

1.2. Key sustainability issues in Asia

The management of sustainability-related risks and opportunities has become an increasingly important issue for economies, corporations, investors and societies at large. Several jurisdictions have made commitments to transition to a net-zero/low-carbon economy (see Section 4.2) and have incorporated sustainability-related requirements in their regulatory frameworks, as this report shows. Investors are also increasingly considering disclosures about how companies assess and identify material sustainability risks, notably climate change (see Section 1.3).

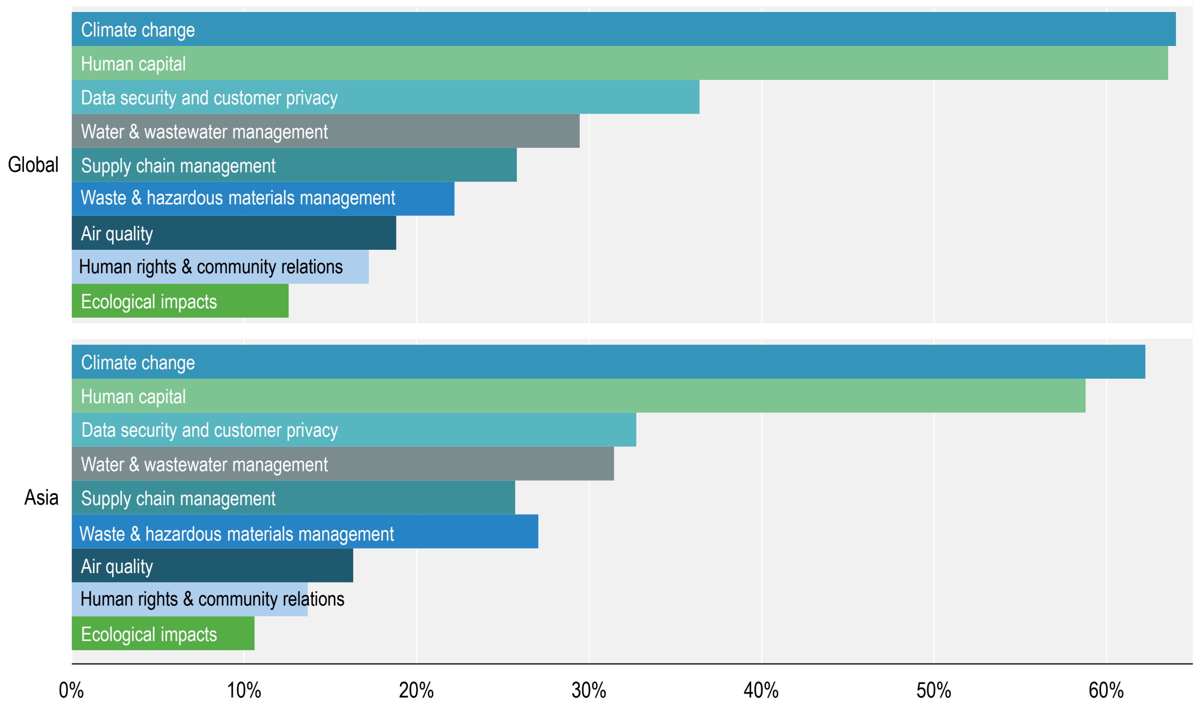
The spectrum of sustainability-related issues is wide, ranging from climate change and greenhouse gas (GHG) emissions to human rights and community relations. The Sustainability Accounting Standards Board (SASB) sets out 26 general sustainability issues in its Materiality Map[3] that are most likely to materially impact the financial condition or operating performance of companies across 77 industries. Using this Materiality Map, the SASB Sustainable Industry Classification System (SICS) Taxonomy[4] ("SASB mapping") creates a company-level dataset classifying companies according to financially material sustainability issues that they are facing. The market capitalisation of these companies provides insights with respect to the prevalence of each sustainability issue globally and in Asia. In this respect, climate change is found to be one of the most prevalent sustainability issues. Globally, by the end of 2022, companies that accounted for 64% of total market capitalisation were facing financially material climate change-related risks (Figure 1.5). The share at risk in Asia is similar, corresponding to 62% of the region's total market capitalisation. If unmitigated, climate change could lead to large economic losses. According to an analysis covering 48 jurisdictions representing 90% of the global economy, the cost of not taking any action to tackle the impacts of climate change could be around 18%[5] of world's GDP by 2050 (Gray and Varbanor, 2021[5]). While there are some regional and country-specific differences, Asian and ASEAN economies are expected to be impacted to a greater extent. The report finds that the GDP of Asian and ASEAN economies will contract by 26.5% and 37.4%, respectively, by 2050 due to the lack of mitigation and adaptation to the risks that climate change poses. It is important to note that the effects of climate change will differ across countries, and emerging market economies are expected to be impacted more than advanced economies. Given the importance of this issue, climate change-related provisions in corporate governance frameworks have already been adopted by most jurisdictions globally, including in Asia (see Section 2.1).

Human capital is the second most prevalent issue both globally and in Asia. This category of sustainability risk includes employee health and safety, labour practices including compliance with labour laws and internationally accepted norms and standards, and employee diversity, inclusion and engagement. While the sustainability risk relating to human capital is a financially material risk for companies representing 63.6% of the global market capitalisation, in Asia this number is comparatively lower at 59% of the region's market capitalisation.

Enhancing disclosure related to human capital in public company filings has already been included as a potential proposal in the US Securities Exchange Commission's (SEC) bi-annual rule-making agenda (US SEC, 2022[6]). In 2020, the US SEC required companies to describe their human capital resources in their public filings, including if there were any relevant human capital measures or objectives that the management was considering in conducting business, to the extent that such disclosures would be material (US SEC, 2020[7]). The European Union published its Corporate Sustainability Reporting Standards Directive in 2022 (2022/2464/EU[8]). This aimed to modernise and strengthen the rules concerning the social and environmental information that was previously set out by the Directive on Non-Financial Reporting (2014/95/EU[9]). The latest standards require large companies, as well as listed SMEs, to report on sustainability issues, including social matters and the treatment of employees (EC, 2023[10]). In Japan, the Corporate Governance Code, which was revised in 2021, requires companies to disclose details of their policies and goals to ensure management diversity (Tokyo Stock Exchange Inc., 2021[11]).

Asian companies' exposure to sustainability risks are in line with global trends for the most part. *Water and wastewater management*, and *Waste and hazardous materials management* are notable exceptions. Asian companies that are facing financially material risks of these two issues represent 31% and 27%, respectively, of the region's market capitalisation, while globally the figures are lower at 29% and 22%, respectively (Figure 1.4).

Figure 1.4. The share of market capitalisation exposed to selected sustainability issues by region, end-2022

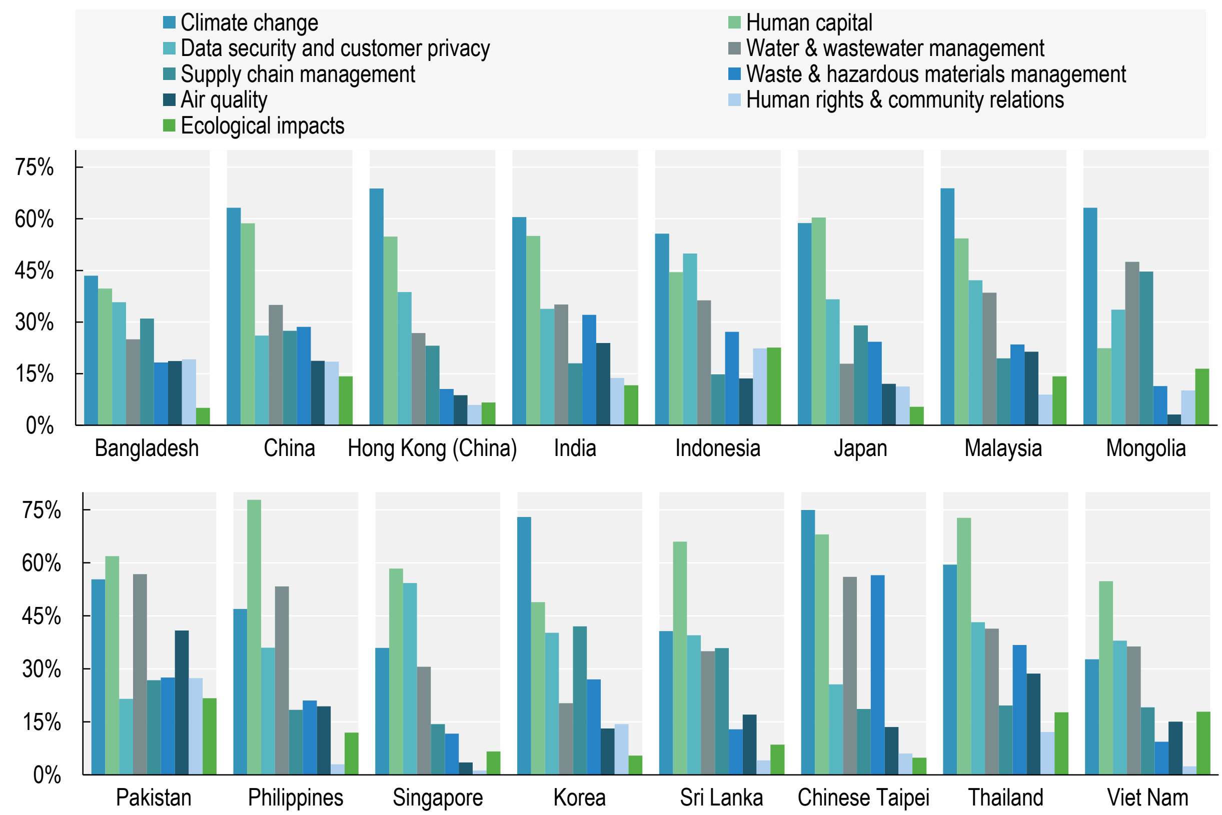


Note: The figure merges some sustainability issues from the SASB mapping: "Climate Change" aggregates "Energy management", "GHG emissions" and "Physical impacts of climate change"; "Human Capital" merges all three sustainability issues within this dimension in the SASB mapping: "Employee Health & Safety", "Employee Engagement, Diversity & Inclusion" and "Labour Practices"; "Data Security and Customer Privacy" is the combination of "Data Security" and "Customer Privacy". The information provided in the figure is as of end 2022.
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping (© 2023 IFRS Foundation. All Rights Reserved), OECD calculations. See Annex for details.

In most Asian jurisdictions, *Climate change* and *Human capital* are the two most prevalent sustainability issues facing companies by the end of 2022 (Figure 1.5). The Philippines, Thailand and Malaysia are the three jurisdictions most exposed to financially material risks related to *Climate change* with companies representing 78%, 73% and 69% of the total market capitalisation in each jurisdiction facing this risk. In Korea, Japan and Chinese Taipei, *Human capital* is the most prevalent sustainability issue faced by companies representing 75%, 73% and 60% of the total market capitalisation in each jurisdiction. In these jurisdictions, *Climate change* is still the second most common sustainability issue faced by companies.

The second most prevalent sustainability issue following *Climate Change* varies across Asian jurisdictions. For instance, in Indonesia, Singapore and Viet Nam, *Data security and customer privacy* is the second most common issue, whereas in Mongolia, Pakistan and the Philippines it is *Water & wastewater management*.

Figure 1.5. The share of market capitalisation exposed to selected sustainability issues by jurisdiction, end-2022



Note: The figure merges some sustainability issues from the SASB mapping: "Climate Change" aggregates "Energy management", "GHG emissions" and "Physical impacts of climate change"; "Human Capital" merges all three sustainability issues within this dimension in the SASB mapping: "Employee Health & Safety", "Employee Engagement, Diversity & Inclusion" and "Labour Practices"; "Data Security and Customer Privacy" is the combination of "Data Security" and "Customer Privacy". The information provided in the figure is as of end 2022.
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping (© 2023 IFRS Foundation. All Rights Reserved), OECD calculations. See Annex for details.

Table 1.1 summarises the most exposed Asian jurisdictions to sustainability issues, ranking them by exposure by market capitalisation. Pakistan has the highest exposure by market capitalisation to three sustainability issues: *Water & wastewater management*; *Air quality;* and *Human rights & community relations*. For *Human capital and Waste & hazardous materials management,* Chinese Taipei is the most exposed Asian jurisdiction. Other sustainability risks that are the most prevalent in terms of the share of domestic market capitalisation are: *Data security and customer privacy* for Singapore; *Supply chain management* for Mongolia; and *Ecological Impacts* for Indonesia.

Table 1.2 provides further detail with respect to all the sustainability issues defined by the SASB Sustainable Industry Classification System Taxonomy ("SASB mapping") and shows the relevant share of companies facing financially material risks relating to each of the sub-issues. In 9 of the 26 sub-issues, in terms of market capitalisation, the share of Asian companies facing relevant risks are higher than the share of companies globally. Overall, the sustainability risks provided in these figures and tables do not correspond to the exact market value at risk, which would require an individual assessment of each company's financial exposure to these risks. However, the share of market capitalisation can serve as a helpful reference point for Asian policy makers when supervising and regulating their capital markets.

Table 1.1. The most exposed Asian jurisdictions to selected sustainability issues, end-2022

Sustainability issues	Jurisdiction	Share of market capitalisation – by jurisdiction	Share of market capitalisation – Asia as a region
Climate change	The Philippines	78%	62%
Human capital	Chinese Taipei	73%	59%
Data security and customer privacy	Singapore	54%	33%
Water & wastewater management	Pakistan	57%	31%
Waste & hazardous materials management	Chinese Taipei	57%	27%
Supply chain management	Mongolia	45%	26%
Air quality	Pakistan	51%	16%
Human rights & community relations	Pakistan	27%	14%
Ecological impacts	Indonesia	23%	11%

Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping (© 2023 IFRS Foundation. All Rights Reserved), OECD calculations. See Annex for details.

Table 1.2. The share of market capitalisation exposed to sustainability issues, end-2022

Dimension	Sustainability issues	Share of the market capitalisation where each sustainability issue is material	
		Global	Asia
Environment	Energy management	46%	50%
	Water & wastewater management	29%	31%
	Waste & hazardous materials management	22%	27%
	GHG emissions	26%	26%
	Air quality	19%	16%
	Ecological impacts	13%	11%
Social capital	Data security	36%	33%
	Product quality & safety	28%	28%
	Access & affordability	21%	20%
	Selling practices & product labelling	21%	18%
	Human rights & community relations	17%	14%
	Customer welfare	15%	12%
	Customer privacy	16%	11%
Human capital	Employee health & safety	28%	31%
	Employee engagement, diversity & inclusion	35%	27%
	Labour practices	11%	11%
Business model & innovation	Product design & lifecycle management	54%	64%
	Materials sourcing & efficiency	27%	35%
	Supply chain management	26%	26%
	Physical impacts of climate change	7%	8%
	Business model resilience	10%	6%
Leadership & governance	Business ethics	31%	27%
	Systemic risk management	20%	21%
	Competitive behaviour	8%	11%
	Critical incident risk management	13%	10%
	Management of the legal & regulatory environment	9%	7%

Note: Industry classification according to SASB mapping.
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, SASB mapping (© 2023 IFRS Foundation. All Rights Reserved), OECD calculations. See Annex for details.

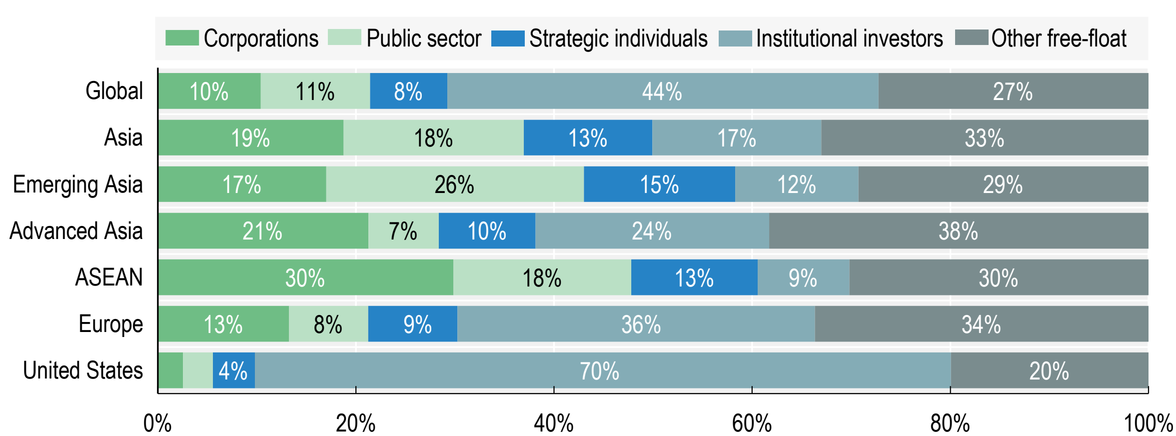
1.3. Ownership landscape in Asia

The last few decades have seen drastic changes in the ownership landscape of equity markets around the world. There are several factors shaping the ownership structure of listed companies. The first is the rise of institutional investors. Indeed, with retail investors switching from direct investing to investing via pooled investment vehicles, there has been a re-concentration of ownership in the hands of institutional investors, in particular those following passive index strategies. The second factor is that an increasing number of state-owned enterprises have been listing on public equity markets as part of privatisation processes. However, even after listing, states often still hold significant stakes in these companies. As a result, the public sector has also become an important owner of listed companies.

There are significant differences in ownership structures across regions and jurisdictions. Investors have been classified into five categories following previous OECD research: *private corporations and holding companies* ("corporations"); *public sector*; *strategic individuals and families* ("strategic individuals"); *institutional investors*; and *other free-float including retail investors* ("other free-float") (De La Cruz, Medina and Tang, 2019[12]). Figure 1.6 shows the ownership distribution based on this ownership classification across different regions. Globally, institutional investors are the largest investor category, holding 44% of the listed equity, followed by the public sector with 11%, private corporations with 10% and strategic individuals with 8%. The remaining 27% free-float belongs to shareholders who fall below the threshold for mandatory disclosure of ownership records, along with retail investors exempt from disclosure requirements.

In Asia, contrary to the global picture, institutional investors are not the largest investor category, holding only 17% of the listed equity. Instead, the ownership of listed Asian companies is relatively evenly distributed between corporations, the public sector and strategic individuals, with their respective holdings amounting to 19%, 18% and 13%. In advanced Asian markets, the listed equity is predominantly held by corporations and institutional investors, whereas in emerging Asian markets, the public sector and strategic individuals have a higher ownership stake in listed companies. In ASEAN economies, the dominance of company group structures is also reflected in the ownership landscape, with 30% of the total market capitalisation held by other corporations.

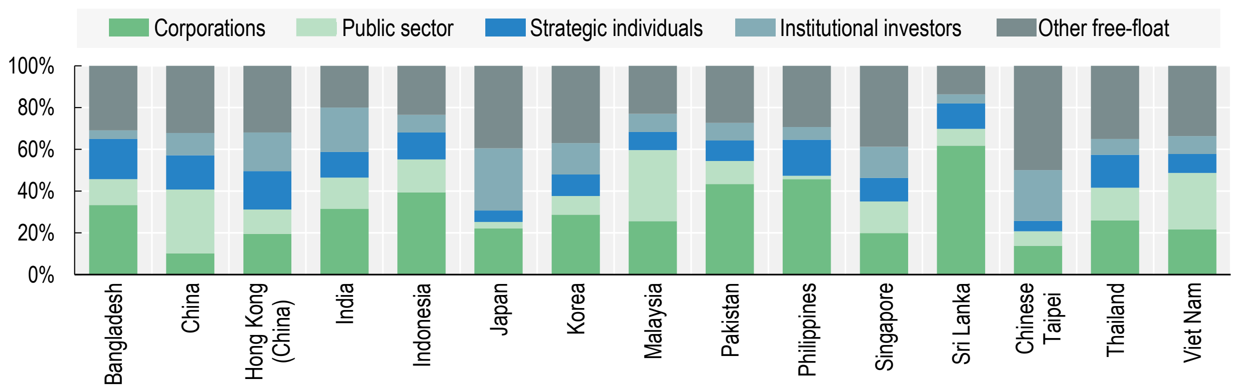
Figure 1.6. Investor holdings, as of end-2022



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, see Annex for details.

The relative importance of different categories of investors differs significantly across jurisdictions. In Japan and Chinese Taipei, institutional investors are the largest category of owners, holding 30% and 24% of the listed equity, respectively (Figure 1.7). Corporations are prominent owners in Bangladesh, India, Indonesia, Pakistan, the Philippines and Sri Lanka, where they own over one-third of the listed equity. In Korea and Malaysia, corporations are also important owners, holding 29% and 26% of the market capitalisation, respectively. In Malaysia, China and Viet Nam, over one-quarter of the listed equity is owned by the public sector.

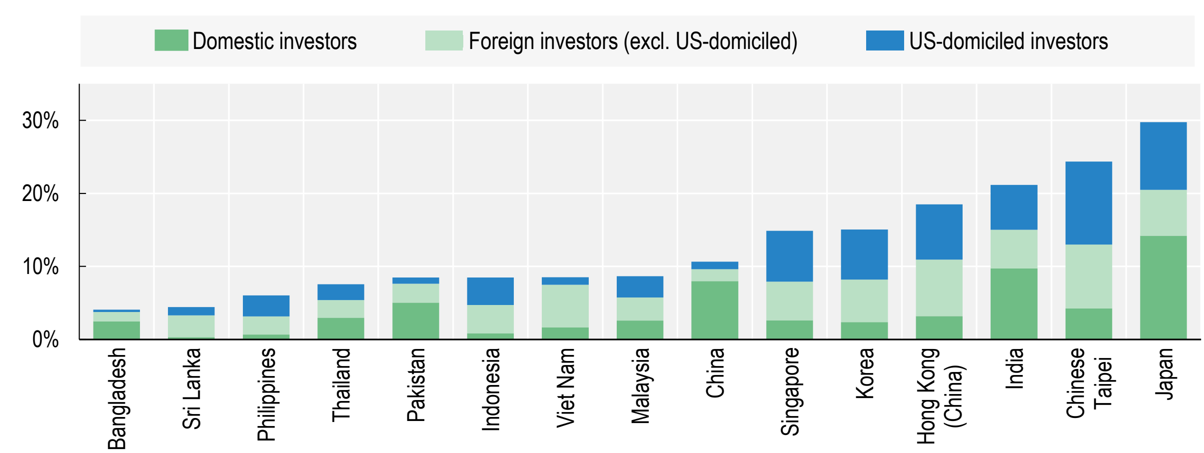
Figure 1.7. Investor holdings in Asia, end-2022



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, see Annex for details.

In most Asian markets, institutional investors do not play a significant role as owners as they do in the United States or Europe. However, as an increasing number of Asian listed companies are being included in major investable indices (see Section 1.4.1), it is anticipated that the ownership of institutional investors will grow further. Across most Asian jurisdictions, non-domestic institutional investors hold a larger share of the listed equity compared to domestic institutional investors (Figure 1.8). The only exceptions are Bangladesh, Pakistan and China. Importantly, US-domiciled institutional investors represent a significant share in most jurisdictions, notably in Japan and Chinese Taipei. On average, US-domiciled institutional investors account for almost half of foreign investor holdings across Asian jurisdictions.

Figure 1.8. Domestic and non-domestic institutional investors holding, end-2022



Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, see Annex for details.

The public sector owns a significant share of market capitalisation in Asia, particularly in emerging Asia. As mentioned, this is mainly a result of partial privatisation of SOEs. In many emerging Asian markets, the state has retained controlling shares even post-listing, leading to an increased number of listed companies under state control. Table 1.3 provides an overview of listed companies controlled by the public sector. Companies are classified as state-controlled when the combined public sector ownership stakes add up to 25% or higher. By the end of 2022, the global number of listed companies with states as a controlling shareholder was 1 904. Among these, 1 446 companies were listed on stock exchanges in Asia, with a total market capitalisation of USD 7.6 trillion. Importantly, these state-controlled companies are often among the largest in their respective market. In Malaysia and China, companies controlled by the public sector represent 53% and 47% of the total market capitalisation, respectively. In advanced Asian markets such as Japan and Korea, they represent a much smaller share.

Table 1.3. Listed companies in Asia under state control, as of end-2022

	Market cap. of state-controlled companies (USD millions)	Number of listed companies under state control	Average state holdings	State-controlled listed companies (share of total market capitalisation)	State-controlled listed companies (share of total number of companies)
China	5 588 101	916	52%	47%	21%
Hong Kong (China)	572 989	181	56%	17%	11%
India	469 945	106	67%	14%	7%
Malaysia	195 065	58	56%	53%	10%
Japan	176 072	10	39%	3%	0%
Singapore	156 633	16	49%	37%	6%
Indonesia	145 619	46	67%	25%	8%
Thailand	128 430	18	49%	23%	4%
Chinese Taipei	75 720	15	34%	5%	2%
Viet Nam	61 545	40	61%	38%	15%
Korea	49 080	14	60%	3%	1%
Bangladesh	5 389	10	65%	17%	10%
Pakistan	4 283	13	59%	16%	5%
Sri Lanka	302	2	65%	5%	5%
Philippines	254	1	38%	0%	1%

Note: A company is considered state-controlled if the public sector's combined ownership amount to 25% or greater. Note that this definition may differ from the one used in individual jurisdictions.
Source: OECD Capital Market Series dataset, FactSet, LSEG, Bloomberg, see Annex for details.

1.4. Sustainability indices and sustainable investing trends in Asia

Recent years have seen the widespread adoption of index investment strategies by institutional investors. At the same time, the volume of assets following sustainability criteria has increased significantly. These two trends have major implications for how institutional investors allocate their assets and drive sustainable investments globally.

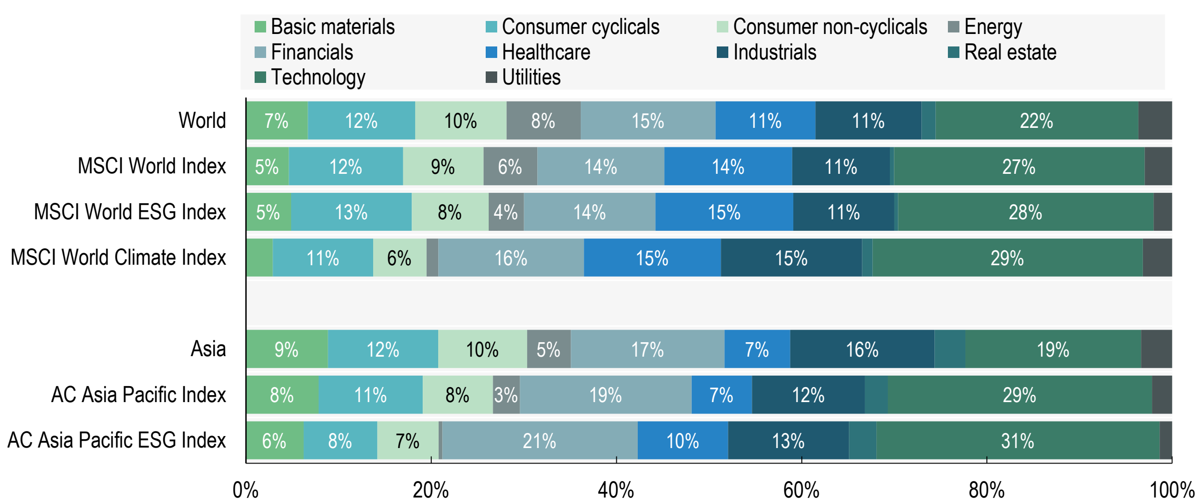
1.4.1. Indices inclusion of companies from Asia

Index investing offers substantial benefits such as portfolio diversification and decreased management fees. However, there are also drawbacks. For instance, index investing strategies tend to direct fund flows into a restricted pool of companies, and possibly lead to diminished engagement incentives with investee companies. In recent years, an increasing number of Asian companies have been included in major investable indices, which could have an impact on their corporate governance practices, including sustainability issues.

Importantly, the environmental, social and governance (ESG) indices are often heavily weighted towards certain industries, influencing the allocation of capital. Figure 1.9 illustrates that the *MSCI World Index* is heavily weighted towards companies operating in the healthcare and technology sectors, at the same time, it allocates a comparatively smaller portion of investments to the basic materials and energy sectors. Regarding the *MSCI World ESG Index* and *MSCI World Climate Index*, it is evident that these two indices allocate an even greater share to healthcare and technology sectors, and at the same time a reduced allocation towards the basic materials and energy sectors. Indeed, the allocation of the *MSCI World Climate Index* reveals that the energy sector constitutes less than 1% of its portfolio and the basic materials sector constitutes 3%, indicating a substantial deviation from its share in the parent *MSCI World Index* (6% and 5% respectively). Importantly, the *MSCI World Climate Index* also assigns a relatively higher proportion to the industrials sector compared to their representation in the parent *MSCI World Index*. Notably, healthcare and technology sectors have a similar representation in the *MSCI World Climate Index* and in the *MSCI World Index.*

The industry composition of major Asian indices exhibits a similar scenario. For the *AC Asia Pacific ESG Index*, the basic materials and energy sectors constitute a lower weight compared to their share in the parent *AC Asia Pacific Index*. Apart from these two industries, the consumer cyclicals and non-cyclicals sectors also appear in significantly smaller proportions within the *AC Asia Pacific ESG Index*. At the same time, the financial and technology sectors are assigned a considerably higher weight in the *AC Asia Pacific ESG Index* compared to the parent *AC Asia Pacific Index* and to their share in the regional market capitalisation.

Figure 1.9. Industry composition of major global and Asian indices, end-2022

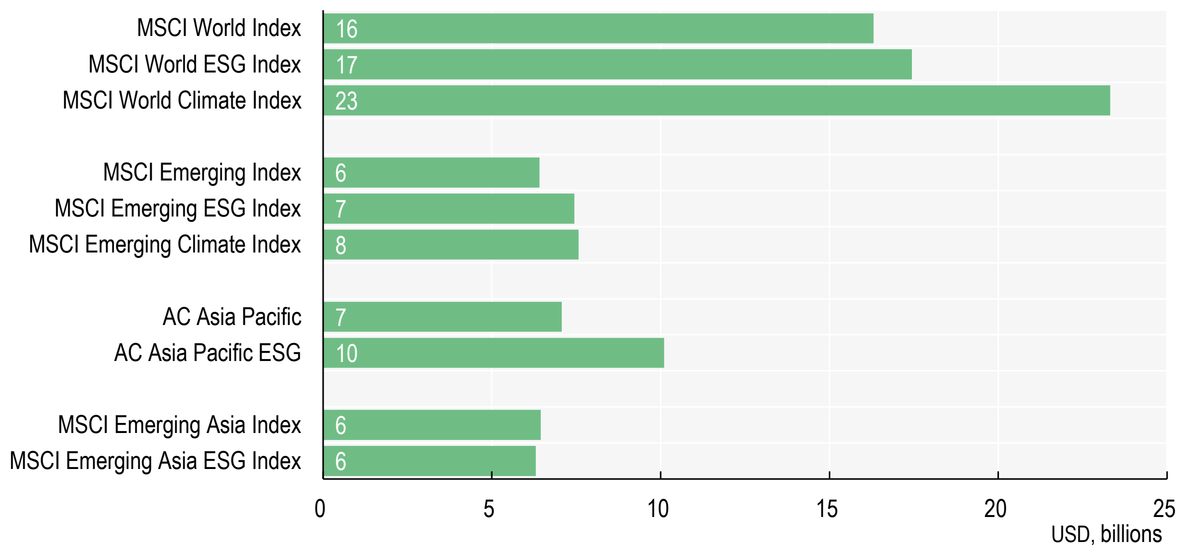


Note: The information on MSCI constituents is as of March 2023, REITS and investment funds are excluded from the indices. Apart from the industry composition of major indices, the figure also shows the actual industry composition for the listed companies in the world and Asia.
Source: OECD Capital Market Series dataset, FactSet, LSEG, MSCI (2023[13]), Bloomberg, see Annex for details.

Since most indices adopt a market capitalisation-weighted approach, they have an inherent bias towards larger companies. Consequently, investors' portfolios mirroring these indices are often heavily concentrated in fewer and larger corporations. This preference is reflected in the holdings of institutional investors. Indeed, across jurisdictions, the average holdings of institutional investors tend to be higher in large companies than in smaller ones (Medina, de la Cruz and Tang, 2022[14]). The difference in size between companies included in indices and those that are not is significant. For instance, the median market capitalisation of Asian listed companies is USD 112 million (Figure 1.1), compared to USD 7 billion for companies included in the *AC Asia Pacific Index* (Figure 1.10). This bias embedded in the index investing leaves smaller and growth companies off the radar of institutional investors.

Importantly, ESG and climate indices, which are constructed based on major indices with additional criteria, have an even stronger preference for larger companies. These indices often narrow down the selection to a smaller group of companies from major indices, which are already predominantly composed of larger listed firms. Figure 1.10 shows that listed companies included in *MSCI World ESG and Climate* indices have a median size of USD 17 billion and USD 23 billion respectively, significantly larger than median size (USD 16 billion) of companies included in the parent index (*MSCI World Index*). A similar pattern is observed in indices from other regions.

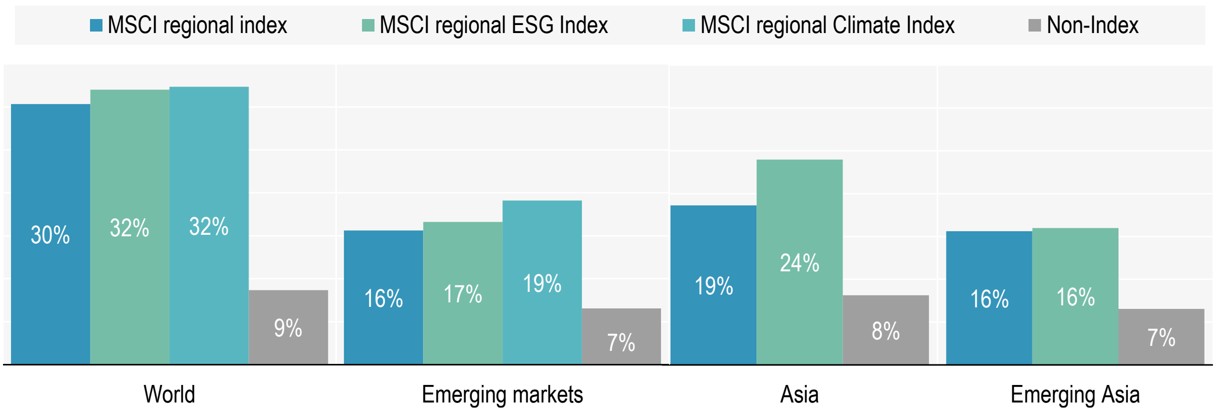
Figure 1.10. Median size of listed companies included in the MSCI indices, end-2022



Note: The size is calculated as the median market capitalisation of all companies in the index. The information on MSCI constituents is as of March 2023, REITS and investment funds are excluded from the indices.
Source: OECD Capital Market Series dataset, FactSet, LSEG, MSCI (2023[13]), Bloomberg, see Annex for details.

To further analyse how index strategies influence institutional investor holdings in Asian equity markets, the universe of Asian listed companies is divided into index and non-index companies. As institutional investors increasingly use indices in their investment process, it is expected that companies included in indices will have higher institutional ownership. Indeed, as shown in Figure 1.11, institutional investors own an average of 7-9% of the listed equity in non-index companies, which is much lower than that of indexed companies. For instance, Asian companies included in the *MSCI World Index* have an average institutional ownership of 30%, and those included in the *MSCI Emerging Market Index* have an average institutional ownership of 16%. Importantly, companies included in MSCI's regional ESG and Climate indices appear to have an even higher concentration of institutional investors. Given the substantial inflow of funds into ESG- and climate-related investments in recent years, it comes as no surprise that companies included in these indices have garnered increased interest from institutional investors, leading to a rise in institutional ownership.

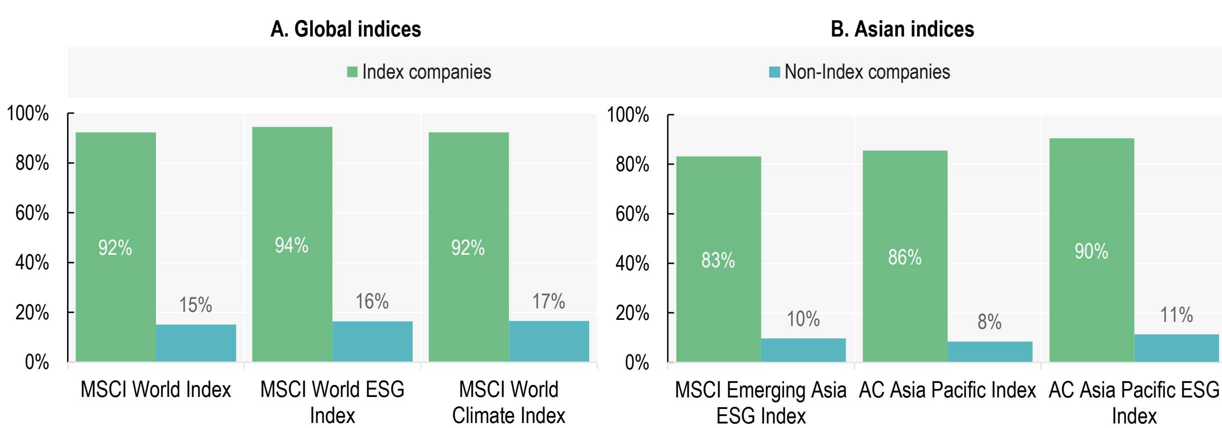
Figure 1.11. Institutional investor holdings in index and non-index Asian companies, end-2022



Note: The information on MSCI constituents is as of March 2023, REITS and investment funds are excluded from the indices.
Source: OECD Capital Market Series dataset, FactSet, LSEG, MSCI (2023[13]) , Bloomberg, see Annex for details.

Figure 1.12 presents the share of Asian listed companies that disclose sustainability-related information, broken down by whether or not they are included in the MSCI indices. The figure shows that companies included in the major indices are more likely to disclose sustainability-related information than companies not included in the indices. For instance, among companies included in the *MSCI World ESG Index*, 94% of them disclose sustainability information, which is significantly higher than the share of companies disclosing sustainability-related information not included in the index. The same trend is also observed for Asian indices.

Figure 1.12. Share of listed companies disclosing sustainability information, end-2022



Note: The disclosure of sustainability-related information relates to either separate sustainability reports or integrated in annual reports. Further details are provided in Section 2.4. The information on MSCI constituents is as of March 2023. REITS and investment funds are excluded. In Panel B, companies from Australia and New Zealand are excluded from the AC Asia Pacific Indices.
Source: OECD Capital Market Series dataset, FactSet, LSEG, MSCI (2023[13]), Bloomberg, see Annex for details.

1.4.2. Sustainable investing trends

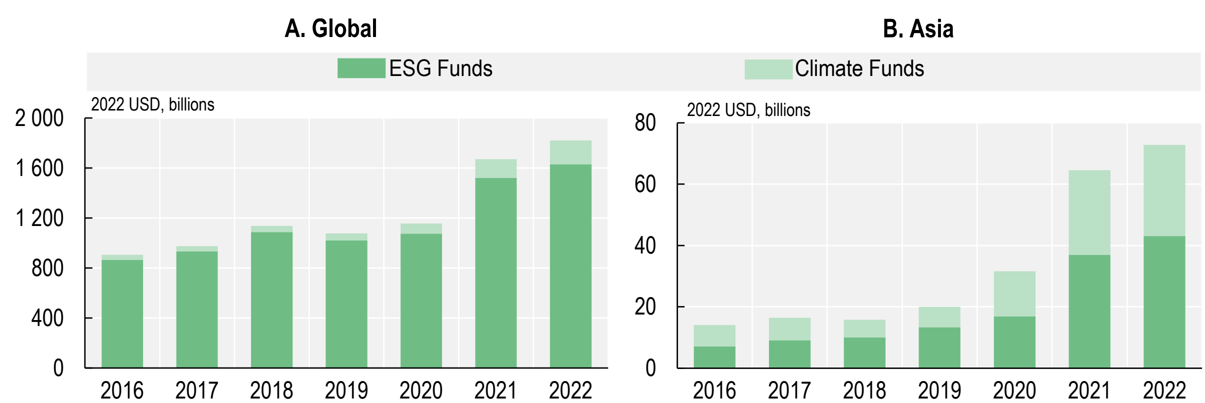
As shown in Section 1.3, in most advanced markets including advanced Asia, institutional investors have become the most important investor category. Given this importance, the asset allocation of institutional investors, including investments in sustainable assets, has implications for the economy more broadly.

Institutional investors have recently been giving increased consideration to ESG risk factors through either direct engagement or several portfolio selection strategies. According to the results of a sustainable investing survey of investors conducted in 2020, globally there has been a significant increase in the size of assets under management invested under sustainable criteria (GSIA, 2020[15]). Investors from Australia, Canada, Europe, Japan, the United States and New Zealand allocated around USD 35 trillion of their assets to investment vehicles that claimed to be sustainable. At the start of 2020, these assets represented 35.9% of total assets under management, up from 33.4% in 2018.

However, survey-based approaches, commonly used to estimate sustainable investing data, carry the risk of overstating the amount of environmental, social and governance investment. This could be either due to investors being misled by labels on financial products (including so-called "greenwashing" or "sustainability-washing") or the selected portfolios of investors not being aligned with scientific evidence.

Assets under management of ESG funds that follow a sustainable investing strategy, in particular funds that label themselves as ESG or sustainable funds – for instance by including "ESG" or "sustainable investing" terms in their names globally reached USD 1.8 trillion in 2022 (Figure 1.13, Panel A). In Asia, the assets under management of such funds amounted to USD 73 billion representing 4% of the global total in 2022 (Figure 1.13, Panel B). The share of climate funds accounted for 41% of total Asian sustainability-labelled funds in 2022, which is much higher than the share of such funds globally, at 10%.

Figure 1.13. Assets under management of funds labelled as or focusing on ESG and climate



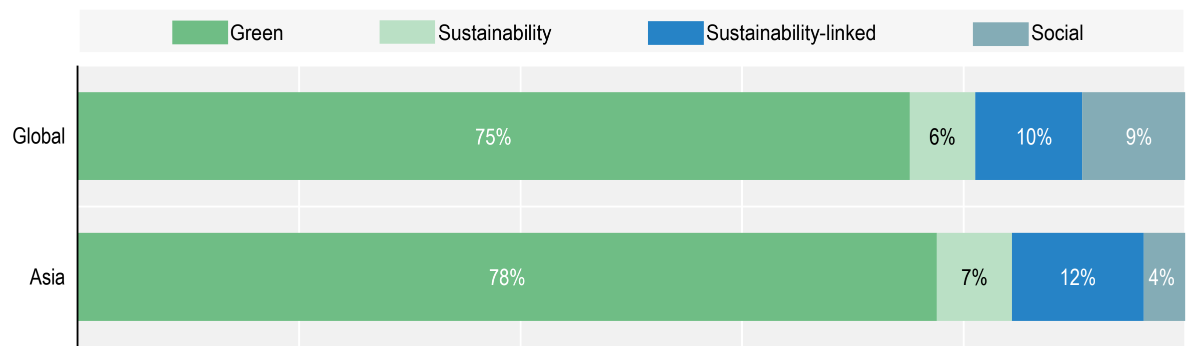
Note: The information was retrieved from LSEG Funds Screener. Funds classified as Climate Funds or ESG Funds are those containing in their names, respectively, climate or ESG relevant acronyms and words such as ESG, sustainable, responsible, ethical, green and climate (and their translation in other languages). Funds without any asset value are excluded.
Source: OECD Corporate Sustainability dataset, LSEG, See Annex for details.

1.5. Trends in sustainable bonds financing

Green, social, sustainability and sustainability-linked bonds is an umbrella term for debt instruments that include environmental and/or social aspects (hereafter "sustainable bonds"). They can be classified into four main categories. *Green bonds* are instruments for which the proceeds are earmarked for environmental projects or activities, such as climate change mitigation and adaptation. Similarly, proceeds from *social bonds* are allocated to projects with the purpose of achieving positive social outcomes, such as food security or affordable housing. *Sustainability bonds* are used to finance a combination of environmental and social projects. Finally, *sustainability-linked bonds* are instruments for which a sustainability indicator of some sort is structurally embedded in the contract, linking the coupon payment to the issuer's progress (or lack thereof) with respect to that indicator. Contrary to the first three categories, sustainability-linked bonds are not "use of proceeds bonds", meaning the proceeds are not necessarily earmarked for a social or environmental purpose. Rather, they serve to tie an issuer's broader sustainability commitments to its financing costs (OECD, 2023[16]).

Green bonds are by far the dominant category of sustainable bonds, both globally and in Asia, representing roughly three quarters of total proceeds. Social bonds are less common in Asia, representing 4% of total proceeds compared to 9% globally. Contrarily, sustainability-linked bonds are somewhat more prevalent in the region, making up 12% of total proceeds compared to 10% globally (Figure 1.14).

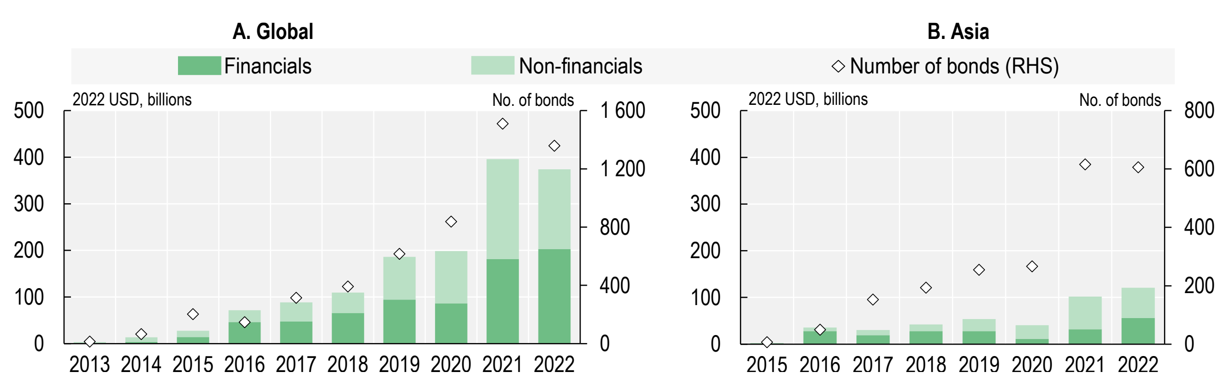
Figure 1.14. Distribution of sustainable corporate bonds by category, 2013-2022



Note: Sustainable corporate bonds by both financial and non-financial companies are included in the figure.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Figure 1.15 illustrates the substantial growth in green bond issuance over the past decade. Since 2013, green bond issuance has grown at a compound annual rate of 68%, far outpacing the growth in general corporate bond issuance. Global green bond issuance reached USD 374 billion in 2022, roughly a third (USD 121 billion) of which was issued by Asian companies. The split between financial and non-financial companies is roughly equal in both regions. While still small relative to the broader corporate bond market, the extraordinary growth rate means sustainable bonds now represent a non-negligible share of total global corporate bond issuance, 8% globally and 6% in Asia (up from 0.6% and 0.2%, respectively, in 2015). Notably, green bond issuance fell much less (5%) in 2022 than total corporate bond issuance (25%).

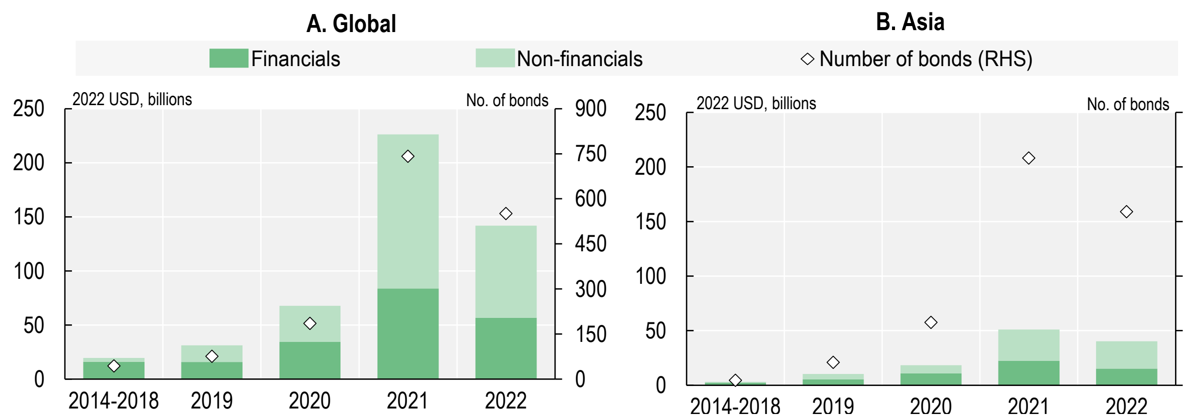
Figure 1.15. Green corporate bond issuance



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

The issuance of social, sustainability and sustainability-linked (SSS) bonds has also grown significantly, reaching USD 141 billion globally in 2022, USD 40 billion of which was issued by Asian companies (a slightly smaller share than for green bonds). Unlike green bond issuance, which remained strong despite tightening financial conditions in 2022, SSS bond issuance globally fell by 37% between 2021 and 2022. The decrease was smaller in Asia at 21%. When it comes to SSS bonds, non-financial companies represent a slightly larger share than financial companies, both in Asia and globally (Figure 1.16).

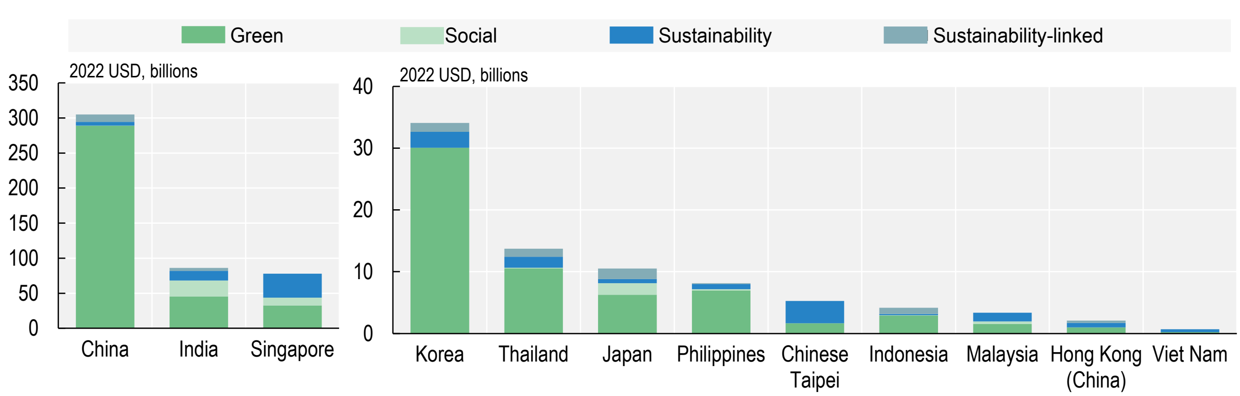
Figure 1.16. Social, sustainability and sustainability-linked corporate bond issuance



Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

As shown in Figure 1.17, the Asian sustainable corporate bond market is dominated by three jurisdictions: China, India and Singapore. China is by far the largest, with total issuance of USD 305 billion between 2013 and 2022, representing 55% of the total in Asia. This is lower than the Chinese share in Asian corporate bond markets more broadly, which was 65% during the same period. Green bonds were 95% of Chinese sustainable bond issuance. In India, where total issuance amounted to USD 86 billion, SSS bonds are relatively more prevalent, together representing almost half of sustainable bond issuance. Notably, social bonds are common in India, accounting for over a quarter (27%) of total sustainable bond issuance, by far the highest share in Asia, where the average is 6%. India represents 16% of total sustainable bond issuance in Asia over the past decade, which is significantly higher than its share in all corporate bond issuance (4%). The same is true for Singapore, which represents 14% of Asian sustainable bond issuance, but only 2% of general corporate bond issuance. In Singapore, sustainability bonds are the most common category, representing 44% of total issuance. This category is also dominant in Chinese Taipei (69%), Viet Nam (68%), Malaysia (42%) and Hong Kong (China) (35%).

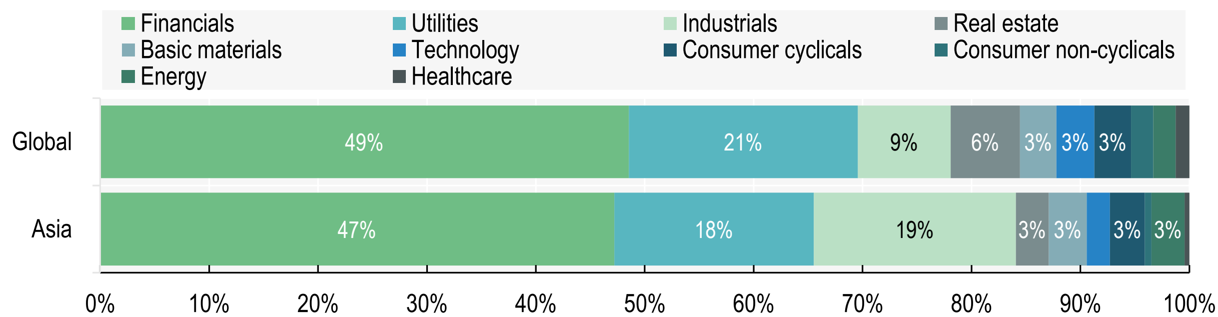
Figure 1.17. Sustainable corporate bonds issuance by jurisdiction, 2013-2022



Note: Sustainable corporate bonds by both financial and non-financial companies are included in the figure. Sustainable bond data does not include relevant information for Bangladesh, Cambodia, Lao PDR, Mongolia, Pakistan and Sri Lanka.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Figure 1.18 breaks down issuance by industry, globally and in Asia. For both, the financial sector represents just below half of total issuance. This is slightly lower, but similar, to the sector's share in all corporate bond issuance. The financial, utilities and industrials sectors together represent over three-quarters of sustainable issuance globally and as much as 84% in Asia in the past decade. The industry distribution of sustainable bond issuance is similar globally and in Asia, with two notable exceptions: the industrials sector's share is twice as large in Asia compared to globally (19% and 9%, respectively), whereas the reverse is true for the real estate sector (3% and 6%, respectively).

Figure 1.18. Sustainable bonds issuance by industry, 2013-2022



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Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

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Notes

[1] However, the average market capitalisation of US listed companies is higher than the average market capitalisation of listed companies in China.

[2] For instance, companies need to meet one of the following requirements to be listed on the Shenzhen Stock Exchange, http://docs.static.szse.cn/www/index/listing/rule/W020230217557163411686.pdf.
(i) Net profit for the last three years is positive. The accumulated net profit for the last three years is no less than RMB 150 million (c. USD 21 million) and the net profit for the last year is not less than RMB 60 million (c. USD 8 million). Net cash flows from operating activities for the last three years are no less than RMB 100 million (c. USD 14 million) or operating income is not less than RMB 1 billion (c. USD 140 million).
(ii) Estimated market capitalisation is not less than RMB 5 billion (c. USD 700 million). Positive previous year's net profits, the operating income of the latest year is not less than RMB 600 million (c. USD 84 million), and the cumulative cash flows from operating activities of the last three years are not less than RMB 100 million (c. USD 14 million).
(iii) Estimated market capitalisation is not less than RMB 8 billion (c. USD 1.1 billion), with positive net profits for the most recent year and operating income of not less than RMB 800 million (c. USD 111 million) for the most recent year.

[3] © 2023 IFRS Foundation. All Rights Reserved.

[4] Ibid 3.

[5] According to the scenario where global temperature increases are 3.2°C above the pre-industrial average by 2050, compared to the Paris Agreement target of 1.5°C.

2 Sustainability disclosure

This chapter provides an overview of the legal frameworks for sustainability disclosure in selected Asian jurisdictions. It summarises key aspects of these frameworks related to disclosure, target audience of disclosed information, sustainability standards and assurance, and provides data on selected aspects of sustainability disclosure by Asian companies.

Globally, investors have increasingly expanded their focus to consider the financial risks and opportunities posed by broader economic, environmental and societal challenges, and the resilience of companies to these risks and how they manage them. As a result, policy makers in several jurisdictions have introduced regulatory frameworks governing how companies should manage and disclose risks related to sustainability matters.

The promotion of corporate governance policies that support the sustainability and resilience of corporations was an overarching goal in the 2023 revision of the G20/OECD Principles, the leading international standard for corporate governance. Among many other issues, the revised Principles include a chapter on “Sustainability and resilience”, which provides policy recommendations to support companies in managing the risks and opportunities of the climate transition and other sustainability challenges. This includes a recommendation for corporate governance frameworks to include reliable, consistent and comparable disclosure of material sustainability-related information.

There are many different aspects to a sustainability disclosure framework, including the stringency of disclosure requirements (e.g. binding rules, recommendations, comply or explain approaches), coverage of the framework, the use of metrics when a company sets sustainability-related goals, the materiality concept used, the target audience of the disclosure and whether there is any flexibility in its applicability.

2.1. Sustainability disclosure and regulatory frameworks

Over recent years sustainability concerns have become increasingly incorporated into financial markets and the broader economy. This can be seen in the sharp increase in assets under management of investment funds labelled as ESG- or climate-focused, and in the prevalence of sustainability issues such as climate change and human capital management, along with a range of traditional governance issues, in institutional investors’ reported engagement preferences (OECD, 2022[1]). This has led to an increasing demand for corporate disclosure related to sustainability issues broadly, and a consequent need for regulatory frameworks of such disclosure where they were not already in place.

Table 2.1 below provides a summary of the regulatory framework for sustainability disclosure in 18 Asian jurisdictions. All of these jurisdictions have some form of national framework in place, although the nature and scope differ. The table divides them into three broad categories: binding requirements, i.e. codified in laws, regulations or listing rules; comply or explain structures in guidelines, codes or principles; and voluntary recommendations (also in guidelines, codes or principles).

The most common approach, implemented or under consideration in 13 jurisdictions, is a form of binding requirement for corporate sustainability disclosure. This is the case in **Bangladesh**, **China, Hong Kong (China)**, **India**, **Indonesia**, **Japan**, **Korea**, **Malaysia**, **Singapore**, **Sri Lanka, Chinese Taipei**, **Thailand** and **Viet Nam**. However, as detailed below, there are major differences in how these are applied, including the scope of companies covered. Section 2.3 and Table 2.4 provide more details on the flexibility and proportionality measures within each framework.

As shown in Table 2.1, four jurisdictions, **Lao PDR**, **Mongolia**, **Pakistan** and the **Philippines**, apply a comply or explain approach, all referring to their respective corporate governance codes or relevant corporate governance regulation. **Cambodia** has recommendations on sustainability disclosure that only refers to the financial sector and in **China** listed companies and state-owned enterprises are encouraged to disclose sustainability-related information (CSRC, 2021[2]).

In **Bangladesh**, the corporate governance code published by the Securities and Exchange Commission (2018[3]) mandates the publication of a Directors’ Report to shareholders which should include, among other things, threats to “sustainability and [a] negative impact on [the] environment”. Compliance with the code is mandatory for all listed companies (Bangladesh SEC, 2020[4]) (Dhaka Stock Exchange[5]). **China** has a combination of a binding requirement and a recommendation for corporate sustainability disclosure depending on the type of company. Listed companies identified as key pollutant-discharging units are required to disclose relevant environmental information (CSRC, 2021[2]). In addition, companies listed on the STAR market of the Shanghai Stock Exchange and companies included in the Shenzhen 100 Index, are required to disclose sustainability-related information (Shanghai Stock Exchange, 2020[6]) (Shenzhen Stock Exchange, 2020[7]). In **Hong Kong (China)**, the listing requirements of the HKEX stock exchange include the publication of an annual ESG report (HKEX, 2020[8]). In **India**, sustainability-related reporting is mandatory for the 1 000 largest companies by market capitalisation from the financial year 2022-23, using a format called the Business Responsibility and Sustainability Report (BRSR) (SEBI, 2021[9]). The Securities and Exchange Board of India (SEBI) has also introduced disclosure (with limited assurance) of sustainability information contained in a framework called the BRSR Core (sub-set of the BRSR), on a comply or explain basis for the value chain of the top 250 listed companies by market capitalisation. This will apply from the financial year 2024-25 for disclosure and 2025-26 for assurance (SEBI, 2023[10]). In **Indonesia**, the Financial Services Authority (OJK) introduced a rule in 2017 that requires financial institutions to release annual and five-year sustainable finance action plans defining a time line and a strategy for the integration of environmental, social and governance criteria aspects, and the development of products and/services into their business plans. These include the submission of a Sustainable Finance Action Plan and/or a Sustainability Report to the regulator (OJK, 2017[11]). In **Japan**, following recent legislation, listed companies are required by the Financial Services Authority to disclose sustainability-related information, including issues related to the environment, human rights, anti-corruption, as well as governance and risk management procedures for dealing with these risks (Morgan Lewis, 2022[12]). Moreover, companies listed on the Prime Market must analyse and disclose risks and opportunities related to climate change. The Japanese Corporate Governance Code (following a comply or explain approach) also instructs companies to “appropriately disclose their initiatives on sustainability when disclosing their management strategies” (JPX, 2021[13]).

In **Korea**, an amendment of the Environmental Technology and Industry Support Act in 2021 expanded mandatory disclosure of environmental information – including plans for environmental management such as reducing the discharge of environmental pollutants – from a small set of designated “green companies” to all listed companies with total assets exceeding KRW 2 trillion (c. USD1.5 billion) ((Environmental Technology and Industry Support Act (Article 16-8)[14]) and (Article 22-10 (1) of the Enforcement Decree of the Environmental Technology and Industry Support Act, 2021[15])). In addition, the Korean Financial Services Commission in 2018 announced that large firms (with total assets exceeding KRW 2 trillion, c. USD 1.5 billion) listed in KOSPI would be obliged to disclose material governance-related information since 2019. The Korea Exchange amended the KOSPI Market Disclosure Regulation to support this regulatory change. In 2021, the Korean Financial Services Commission also announced plans to gradually expand mandatory sustainability disclosure to all companies listed on its benchmark KOSPI market by 2030 (see also Table 2.4) (FSC Korea, 2021[16]). In **Malaysia** in September 2022, the stock exchange (Bursa Malaysia) enhanced its sustainability reporting framework for listed issuers on the Main Market and ACE Market, which will be implemented on a phased approach, beginning with annual reports for financial years ending 31 December 2023 onwards. This includes the required disclosure of a common baseline of sustainability themes and indicators, climate-related disclosures which are aligned with the TCFD Recommendations,[1] as well as a statement on whether the Sustainability Statement has been subjected to internal review by the listed issuer’s internal auditors or independent assurance (Bursa Malaysia, 2022[17]). In 2016, the **Singapore** Exchange (SGX) introduced a mandatory sustainability reporting for listed issuers to include certain prescribed elements[2] on a ‘comply or explain’ basis. Climate reporting based on the recommendations of the TCFD was subsequently introduced on a ‘comply or explain’ basis for all listed issuers for financial years starting from 2022, with mandatory climate reporting for listed issuers in the (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries from financial year 2023; and those in the (iv) materials and buildings, and (v) transportation industries from financial year 2024 (see Table 2.4 for details) (SGX, 2022[18]).

In **Sri Lanka,** the Colombo Stock Exchange requires companies to disclose their policies on ESG matters and details related to the implementation of these policies (CSE, 2023[19]). In **Chinese Taipei**, the stock exchange requires certain listed companies to publish a sustainability report (TWSE, 2022[20]). This applies to listed companies from the food, chemical and financial/insurance industries, companies which derive 50% or more of their operating revenues from food and beverage, or companies with a paid capital of at least NTD 2 billion (c. USD 64 million). In **Thailand**, the Securities and Exchange Commission amended its regulation on annual disclosure for listed companies in 2020, consolidating two previous disclosures, the annual registration statement and the annual report, into a single document called the Form 56-1 One Report (SEC Thailand, 2017[21]). The amendment has been applicable since 2021 for early adopters and became fully effective starting in 2022. This report format includes disclosure on ESG performance, greenhouse gas emissions (GHGs) and human rights, among other things (Thailand SEC, 2021[22]). In **Viet Nam**, the Ministry of Finance issued a disclosure regulation in 2020 requiring listed companies to report their impacts on the environment and society (Circular 96/2020/TT-BTC, 2020[23]). The requirement has been effective since 2021 and follows a collaboration between the State Securities Commission of Viet Nam (SSC) and the International Finance Corporation in 2016 to prepare a guidance document for companies related to such disclosure (see Table 2.3 for further information).

The frameworks in most jurisdictions summarised in Table 2.1 apply to a broad range of sustainability measures. Still, certain jurisdictions, including **Cambodia** and **Malaysia** give priority to climate-related issues within the broader framework. Climate change is one of the sustainability issues investors tend to focus on in their engagement; one survey of 42 institutional investors with a total of USD 29 trillion in assets under management found that 85% of respondents "strongly agreed" they had sought engagement with companies on climate change, which was by far the most common issue (Morrow Sodali, 2021[24]). From a company perspective, as shown in Section 1.2, climate change is one of the most pressing financially material issues both globally and in Asia.

When a company sets sustainability-related goals, certain jurisdictions also require or recommend the disclosure of tangible metrics to allow for an evaluation of the extent to which the company is fulfilling or progressing towards those goals. In **Hong Kong (China)**, **Indonesia**, **Japan**, **Malaysia**, **Singapore**, **Chinese Taipei** and **Thailand**, such disclosure is mandatory for at least a subset of companies.

Table 2.1. Sustainability disclosure regulatory frameworks

Jurisdiction	Sustainability disclosure	Sustainability matters covered	Disclosure of metrics when a company sets sustainability-related goals	Key source
Bangladesh	B	A great number of sustainability matters	-	Bangladesh Corporate Governance Code/ Clarification for Orders and Notifications including Corporate Governance Code (Bangladesh Securities and Exchange Commission)/ Dhaka Stock Exchange Eligibility Criteria
Cambodia	R	A great number of sustainability matters, with a focus on climate	R	Cambodian Sustainable Finance Principles Implementation Guidelines
China	B/R[1]	A great number of sustainability matters	-	CSRC Contents and Formats of Annual Reports (in Chinese)
Hong Kong (China)	B	A great number of sustainability matters	B	Environmental, Social and Governance Reporting Guide
India	B	A great number of sustainability matters	B	Circular on Business Responsibility and Sustainability Reporting (BRSR) by listed entities/ Circular on BRSR Core – Framework for Assurance and ESG Disclosure for Value Chain

Jurisdiction	Sustainability disclosure	Sustainability matters covered	Disclosure of metrics when a company sets sustainability-related goals	Key source
Indonesia	B	A great number of sustainability matters	B	Indonesian Financial Services Authority (OJK) Regulation Number 51/POJK.03/2017 (in Indonesian)
Japan	B	A great number of sustainability matters, with a focus on governance, risk management and human capital	B	Revisions of the Cabinet Office Ordinance (in Japanese)
Korea	B/B*	Environmental matters / Governance matters/ A great number of sustainability matters	-	Environmental Technology and Industry Support Act (Article 16-8) and Article 22-10 (1) of the Enforcement Decree of the Environmental Technology and Industry Support Act/ KOSPI Market Disclosure Regulation (Article 24-2) and Enforcement Rules of KOSPI Market Disclosure Regulation (Article 7-2)/ Press Release by the Korean Financial Services Commission
Lao PDR	C	A great number of sustainability matters	-	Guidelines on Corporate Governance for Listed Companies
Malaysia	B	Sustainability matters in eleven[2] themes and particularly climate-related matters	B	Bursa Malaysia Main Market Listing Requirements/ Bursa Malaysia ACE Market Listing Requirements/ Malaysian Code on Corporate Governance
Mongolia	C	A great number of sustainability matters	C	Corporate Governance Code (in Mongolian, unofficial English version)/ ESG and Sustainability Reporting Guidance for Mongolian Companies
Pakistan	C	Some sustainability matters, particularly health and safety aspects, corporate social responsibility initiatives and other philanthropic activities	-	Listed Companies (Code of Corporate Governance) Regulations, 2019/ ESG Regulatory Roadmap Position Paper
Philippines	C	A great number of sustainability matters	C	SEC Memorandum Circular No. 4, Series of 2019/ SEC Memorandum Circular No. 19, Series of 2016
Singapore	B/C[3]	A great number of sustainability matters, including climate-related risks and other ESG issues	B/C	SGX Core ESG Metrics/ SGX Rulebook/ SGX Practice Note 7.6 Sustainability Reporting Guide
Chinese Taipei	B	A great number of sustainability matters	B	Taiwan Stock Exchange Corporation Rules Governing the Preparation and Filing of Sustainability Reports by TWSE Listed Companies (in Chinese)
Thailand	B	A great number of sustainability matters	B	SEC Thailand Form 56-1 One Report
Sri Lanka	B	A great number of sustainability matters	R	Colombo Stock Exchange Recommendations for Listed Companies/ Amendments to the Listing Rules of the Colombo Stock Exchange/ Code of Best Practice on Corporate Governance 2017
Viet Nam	B	A great number of sustainability matters	R	Appendix IV of Circular 96/2020/TT-BTC/ Decree No 155/2020/ND-CP/ Environmental and Social Disclosure Guidance

Key: B = binding / requirement by the law, regulations or listing rule; C = comply or explain approach; R = recommendation by guidelines, codes, or principles; "-" = absence of a specific requirement or recommendation. Information on jurisdictions with an asterisk (*) relates to proposals under consideration.

Notes:

[1] In China, listed companies announced as key pollutant-discharging units are required to disclose relevant environmental information. In addition, companies listed in the STAR Market on the Shanghai Stock Exchange and companies included in the Shenzhen 100 Index, are required to disclose sustainability-related information.

[2] The themes include anti-corruption, community/society, diversity, energy management, health and safety, labour practices and standards, supply chain management, data privacy and security, water and emissions & waste.

[3] In 2022 all listed issuers must issue a sustainability report, including climate-related disclosures based on recommendations of the TCFD, on a "comply or explain" basis. From 2023, climate-related disclosures are mandatory for listed issuers in the (i) financial, (ii) agriculture, food and forest products, and (iii) energy industries; from 2024 it will be mandatory for listed issuers in the (i) materials and buildings, and (ii) transportation industries.

2.2. Sustainability standards and assurance

Globally, international standards and frameworks are being developed to enable companies to provide comprehensive, comparable and reliable sustainability information. In the meantime, several jurisdictions have also been introducing local disclosure frameworks, sometimes incorporating aspects of international standards and frameworks. While local disclosure frameworks are better positioned to address jurisdiction-specific factors, international standards and frameworks play a critical role in facilitating reliable, comparable and comprehensive sustainability disclosure. The G20/OECD Principles of Corporate Governance (revised in 2023) emphasise the important role of internationally recognised standards in the design of local disclosure frameworks: "[s]ustainability-related disclosure frameworks should be consistent with high quality, understandable, enforceable and internationally recognised standards that facilitate the comparability of sustainability-related disclosure across companies and markets" (OECD, 2023[25]).

Several Asian jurisdictions have created local frameworks or provided guidance with respect to certain elements from internationally accepted standards (see Table 2.3 for details). Table 2.2 presents some of the most commonly used international standards in Asia (see also Section 2.40). These standards differ mainly in terms of coverage, level of detail, target audience and how they define materiality. In terms of coverage of issues, the Task Force on Climate-Related Financial Disclosures (*TCFD) recommendations* and Carbon Disclosure Project (*CDP) Questionnaires* cover only a limited number of issues such as climate change, while the Sustainability Accounting Standards Board (*SASB) Standards*, Global Reporting Initiative (*GRI) Standards* and Integrated Reporting (*IR) Framework* incorporate a considerable range of sustainability issues. In terms of target audience, a large majority of existing sustainability-related reporting frameworks cite investors as their main audience with the notable exception of the *GRI Standards*, which target shareholders and multiple stakeholders, and the *CDP Questionnaires*, which target investors and supply chain customers as the audience.

With respect to the level of detail of these standards and frameworks (both in terms of guidance and requirements), they can be split into those that are principles-based and those that prescribe detailed information. Principles-based standards provide flexibility for companies by providing only guidelines – rather than detailed rules to disclose each and every piece of information (e.g. companies exercise professional judgement to decide what to disclose under each principle) and these types of standards can usefully be complemented with guidance to provide comparability across companies and over time. On the other hand, other standards are more prescriptive and provide greater detail on how companies should account for and report sustainability information, which can be helpful for emerging and complex issues. Among the standards and frameworks summarised in Table 2.2, the *TCFD recommendations*[3] and the *IR Framework* are principles-based, while the *SASB Standards*, the *GRI Standards* and the *CDP Questionnaires* provide greater detail on how companies should disclose sustainability information. The concept of materiality adopted in the various standards/frameworks depends on the targeted primary users of the information. If investors, who are assumed to make investment and voting decisions based on a company's expected future cash flows, are the primary users, the standards/frameworks adopt a financial materiality approach. As shown in Table 2.2, the *TCFD recommendations,* the *SASB Standards* and the *IR Framework* adopt a financial materiality approach, and are primarily targeted at investors. The *GRI Standards* adopt a double materiality approach that incorporates what is financially material, but also includes within its scope information relevant to the understanding of a company's impact on the environment and on society.

Table 2.2. Selected international ESG reporting frameworks and standards

Reporting framework and standard	Coverage of issues	Audience	Level of detail	Materiality
TCFD Recommendations	Climate-related issues	Investors, lenders and insurance underwriters	Principles-based	Financial materiality
SASB Standards	A great number of ESG issues, with subset of standards in each of 77 industries	Investors	Detailed information	Financial materiality
GRI Standards	A great number of ESG issues, with a plan to have a subset of standards for 40 specific sectors[4]	Multiple stakeholders	Detailed information	Double materiality
IR Framework	A great number of ESG issues	Investors	Principles-based	Financial materiality
CDP Questionnaires	Climate change, forests and water security	Investors and customers	Detailed information	Double materiality

Note: In November 2021, the International Financial Reporting Standards (IFRS) Foundation announced the formation of the International Sustainability Standards Board ("ISSB"), which now sits alongside the International Accounting Standards Board ("IASB"), to set IFRS Sustainability Disclosure Standards. The IFRS Foundation merged with the Value Reporting Foundation Board (which currently manages two standards: the SASB standards and IR Framework) and the Climate Disclosure Standards Board (CDSB) in June 2022. In June 2023, the ISSB issued its inaugural standards IFRS S1 and IFRS S2. The IFRS S1 provides a set of disclosure requirements designed to enable companies to communicate to investors about the sustainability-related risks and opportunities they face over the short-, medium- and long-term. IFRS S2 sets out specific climate-related disclosures and is designed to be used with IFRS S1. Both fully incorporate the recommendations of the Task Force on Climate-related Financial Disclosures (IFRS, 2023[26]) .
Source: Standards, frameworks and websites of the institutions accessed in June 2023.

2.2.1. Sustainability disclosure standards and guidance

An important policy question for jurisdictions developing their sustainability disclosure frameworks is whether to mandate a specific reporting framework or allow companies the freedom to choose. The adoption of a single disclosure standard, either international or local, can facilitate the comparability of sustainability information across companies. However, it is important to ensure that these standards address the needs of specific sectors and consider country-specific factors. The revised G20/OECD Principles note that ensuring consistency and interoperability between regional or national frameworks and internationally recognised standards can still allow for flexibility of complementary local requirements, including on matters where specific geographical characteristics or jurisdictional requirements may influence materiality.

Among the 18 Asian jurisdictions in Table 2.3, **China**, **Hong Kong (China)**, **India**, **Indonesia**, **Japan**, **Korea**, **Malaysia**, **the Philippines**, **Singapore**, **Chinese Taipei**, **Thailand** and **Viet Nam** have already developed or are developing local disclosure frameworks/guidance for companies to disclose sustainability information. Most of these jurisdictions include certain aspects of, or suggest the use of, international standards and frameworks. **Japan** and **Korea** have created their own sustainability standards boards to further expand and manage relevant sustainability-related disclosure frameworks. In **Bangladesh**,

Cambodia, **Lao PDR**, **Mongolia**, **Pakistan** and **Sri Lanka**, the regulation regarding disclosure of sustainability-related information is still at an early stage.

In **China**, the China Securities Regulatory Commission (CSRC) provides guidance on the disclosure of sustainability-related information within broader guidelines on annual reports for companies offering securities to the public. The guidelines include articles recommending companies disclose relevant sustainability-related information on a voluntary basis with no reference to international standards (CSRC, 2021[27]). In **Hong Kong (China)**, the listing rules set out the general local disclosure framework, and for more comprehensive disclosure for relevant industries or sectors, companies are recommended to refer to existing international sustainability-related reporting standards and frameworks (HKEX, 2020[8]). In **India** the Securities Exchange Board of India has designed the new Business Responsibility and Sustainability Report (BRSR) to be interoperable with other internationally accepted reporting frameworks such as the Global Reporting Initiative, Sustainability Accounting Standards Board and the Task Force on Climate-Related Financial Disclosures (SEBI, 2021[28]; SEBI, 2021[29]). The provisions categorise the information as “Essential” and “Leadership”. All entities that are required to publish a Business Responsibility and Sustainability Report (BRSR) must disclose essential indicators, while leadership indicators can be disclosed on a voluntarily basis. Companies are allowed to report based on internationally accepted reporting frameworks, however, in order to avoid double reporting they can provide cross-reference to these reporting frameworks in their BRSRs. Additionally, the Institute of Chartered Accountants of India has established a Sustainability Reporting Standards Board to review the emerging trends globally and evaluate need for further standard setting in India (ICAI, 2023[30]).

In **Indonesia,** OJK provides guidance on the disclosure of sustainability-related information. The guidance refers to several international standards which are adapted to conditions that can be implemented in Indonesia (OJK, 2017[31]). In **Japan**, the 2023 amendments of the Cabinet Office Order on the Disclosure of Narrative Information serve as the sustainability disclosure framework (FSA, 2023[32]). This amendment was made in accordance with a report by the Working Group on Corporate Disclosure published in June 2022. The report sets out three viewpoints for the Financial Services Agency (FSA) which is responsible for developing sustainability disclosure framework: to position sustainability-related information as a key disclosure item and make continuous improvement for the sustainability-related disclosure; to pay attention to good practices in private corporations and investors’ needs when developing details of sustainability-related disclosure; and to lead a global discussion and fully ensure comparability (Working Group on Corporate Disclosure in Japan, 2022[33]). Against this background, the Principles Regarding the Disclosure of Narrative Information included in the amendment provide details on the requirements when disclosing sustainability-related information (FSA, 2023[34]). Further detailed sustainability disclosure standards, based on the International Sustainability Standards Board (ISSB) Standards, will be developed and implemented by the Sustainability Standards Board of Japan no later than 31 March 2025 (IFRS, 2023[35]). The Financial Services Commission of **Korea** has announced that it will phase in sustainability disclosure for listed companies. Companies are encouraged to voluntarily disclose sustainability-related information by 2025. Starting in 2025, large companies over the specific threshold will be required to mandatorily disclose sustainability information. The binding requirement will be expanded to all KOSPI listed firms in 2030. Starting in 2025, companies are encouraged to voluntarily disclose sustainability-related information, which will gradually become a binding requirement by 2030. Additionally, the Korean Sustainability Standards Board will develop domestic sustainability standards based on ISSB standards (KASB, 2021[36]).

In **Malaysia**, Bursa Malaysia’s listing requirements serve as the local sustainability disclosure framework for listed issuers on the Main Market and ACE Market (focused on smaller growth companies) of the stock exchange. The disclosure framework includes climate-related disclosures which are aligned with the TCFD recommendations (Bursa Malaysia, 2022[37]). In 2019, the SEC **Philippines** issued local guidelines on sustainability reporting that builds upon four international standards and frameworks, the *GRI Standards*, the *IR Framework*, the *SASB Standards* and the *TCFD Recommendations* (The SEC Philippines, 2019[38]).

In **Singapore**, sustainability reporting requirements for listed issuers are set out in the SGX-ST Listing Rules, with a Sustainability Reporting Guide available in Practice Note 7.6 of the SGX-ST Listing Manual. The SGX Group has also proposed a list of 27 core ESG metrics as guidance for issuers in providing an aligned set of ESG data. Though not mandated, the metrics serve as a starting point for what listed issuers can disclose in their sustainability reports (SGX, 2016[39]).

In **Chinese Taipei,** the reporting rules of the Taiwan Stock Exchange include references to global international standards including the *GRI Standards* (TWSE, 2022[20]). In **Thailand**, the Form 56-1 One Report, adopted in 2020, expects companies to use a report framework proportionate to its size and complexity, and to meet not only local requirements but also international standards (the *GRI Standards* are referenced) (SEC Thailand, 2020[40]; SEC Thailand, 2017[21]). In addition, SEC Thailand has also become an official TCFD supporter since December 2020 (SEC Thailand, 2021[41]). As a supporter, the SEC Thailand have organised capacity building events to enhance the understanding of listed companies on how to adopt international standards. In **Viet Nam**, the circular on disclosure of information on securities markets also includes guidance on disclosure of certain sustainability information (Circular 96/2020/TT-BTC, 2020[23]). In 2016, the SSC of Viet Nam in coordination with the International Finance Corporation (IFC) and building on the *GRI standards* published the Environmental & Social (E&S) Disclosure Guide for listed companies (SSC Viet Nam and IFC, 2016[42]). In **Pakistan**, the Securities and Exchange Commission of Pakistan (SECP) issued in 2013 the Corporate Social Responsibility Voluntary Guidelines encouraging companies to consolidate and report their policies and activities in a separate Corporate Social Responsibility Report (Securities and Exchange Commission of Pakistan, 2013[43]).[5]

Table 2.3. Sustainability disclosure standard/guidance and assurance

Jurisdiction	Disclosure framework/guidance			Primary users		Independent assurance
	Freedom to choose	Single				
		Local	Global	Investors	Multiple stakeholders[1]	
Bangladesh	●	-	-[2]	●	-	-
Cambodia	●	-	-[3]	-	-	-
China	-	●	-	-	●	-
Hong Kong (China)	-	●	-[4]	-	●	-[5]
India	-	●	-[6]	-	●	●[7]
Indonesia	-	●	-[8]	-	●	▲[9]
Japan	-	●	-	●	-	-
Korea	-	●*	-	-	-	-
Lao PDR	●	-	-	-	-	-
Malaysia	-	●	-[10]	-	●	-[11]
Mongolia	●	-	-	-	-	▲
Pakistan	●	-	-	-	-	-
Philippines	-[12]	●	-[13]	-	●	-
Singapore	-	●	-[14]	●	-	▲
Chinese Taipei	-	●	-[15]	-	●	●/▲[16]
Thailand	-	●	-[17]	-	●	-
Sri Lanka	●	-	-[18]	-	●	-
Viet Nam	-	●	-[19]	-	-	-[20]

Key: The symbol "●" denotes the regulatory approach adopted in the jurisdiction. To determine if it is a mandatory requirement, a comply or explain provision, or a recommendation, please refer to the previous table. The symbol “-” denotes that the relevant regulatory approach is not adopted in the jurisdiction. The symbol "●*" identifies proposals under consideration. The symbol ▲ indicates that independent assurance is encouraged.

Notes:
[1] The term “Multiple stakeholders” includes investors.
[2] The Bangladesh Securities and Exchange Commission mandates certain sustainability disclosure to shareholders but does not specify the use of any specific standard. However, the Dhaka Stock Exchange has prepared a guidance document on sustainability disclosure for listed companies together with the *GRI Standards*.
[3] The Cambodian Sustainable Finance Principles mention the *GRI Standards* and the *TCFD Recommendations* as relevant international standards.
[4] The sustainability information reporting guide of the HKEX listing rules draws from international standards and frameworks, such as the *GRI Standards* and the *SASB Standards*, and includes new requirements on climate-related disclosures that align with the recommendations of the TCFD.
[5] The issuer may seek independent assurance to strengthen the credibility of the ESG information disclosed. Where independent assurance is obtained, the issuer should describe the level, scope and processes adopted for the assurance given clearly in the ESG report.
[6] Companies are allowed to report based on internationally accepted reporting frameworks, however, to avoid double reporting they can provide cross-reference to these reporting frameworks in their Business Responsibility and Sustainability Report (BRSR).
[7] Beginning from FY 2023-24, companies – initially the top 150 listed entities by market capitalisation – will be required to obtain reasonable assurance for a limited set of critical / core key performance indicators (KPIs) for sustainability matters.
[8] The OJK Rule No 51/pojk.03/2017 refers to several international standards which are adapted to conditions that can be implemented in Indonesia.
[9] Independent assurance is not mandatory but if sustainability information is verified, it is required to be done by an independent party.
[10] The disclosure framework includes some aspects from the *TCFD Recommendations*.
[11] Listed issuers are required to disclose a statement on whether the sustainability information has been reviewed by internal auditors or independently assured.
[12] Publicly listed companies are encouraged to disclose more information than required under the guidelines. For other companies already reporting in accordance with internationally recognised sustainability frameworks or standards, their sustainability reports are considered as their compliance.
[13] The disclosure framework is based on the *GRI Standards*, the *TCFD Recommendations*, the *SASB standards* and the *IR Framework*.
[14] The SGX Sustainability Reporting Guide states that the issuer needs to give priority to using globally recognised frameworks and disclosure practices to guide its reporting. For climate-related disclosures, the issuer should report based on the TCFD recommendations.
[15] The amendments by the Taiwan Stock Exchange refers to global international standards including the *GRI Standards*.
[16] Independent assurance is mandatory for specific industries while it is encouraged for all issuers.
[17] They include a reference to the *GRI Standards* and international standards.
[18] The *GRI Standards* are recommended and mentioned.
[19] The framework is based on the *GRI Standards* and companies are encouraged to report according to international standards.
[20] The importance of assurance is stressed.

2.2.2. Primary users of disclosure standards

Within a typical disclosure standard/framework, company executives need to decide what information is material to disclose. When doing so, they need to consider the possibility of materiality changing over time, according to the local context, company-specific circumstances and jurisdictional requirements. Traditionally, accounting standards for financial reports have considered investors to be the primary users of corporate disclosure, which typically means that only information relevant to their investment or voting decisions would need to be reported. However, sustainability-related information disclosure frameworks could also be structured to expand the primary user audience to multiple stakeholders. A piece of information may need to be disclosed, for instance, if it is relevant for employees or customers, even if the information is not reasonably expected to affect an investor’s decision to trade a company’s securities or influence its voting in a shareholder meeting.

The revised G20/OECD Principles acknowledge that corporate sustainability-related disclosures may benefit stakeholders (OECD, 2023[25]). Regarding materiality of the information to be disclosed, they state that environmental and social matters could be classified as material if this information can reasonably be expected to affect a company’s asset value and its ability to generate revenues and long-term growth. A company’s impact on society and the environment that might affect its value as well as an information that might decrease the competitive strength of a company could also be considered material.

Among the 18 Asian jurisdictions in Table 2.3, in **China, Hong Kong (China)**, **India**, **Indonesia**, **Malaysia**, **the Philippines**, **Sri Lanka, Chinese Taipei** and **Thailand** sustainability disclosure targets multiple stakeholders, while in **Bangladesh**, **Japan** and **Singapore** the primary users are investors.

In three above-mentioned Asian jurisdictions with disclosure targeting multiple stakeholders, the materiality assessment of sustainability information takes a broader perspective, including stakeholders in addition to investors. Particularly, in **Hong Kong (China)**, the listing rules of the stock exchange define sustainability-related information as material if it is determined by the board to be sufficiently important to investors and other stakeholders (HKEX, 2020[8]). In **India**, Principle 4 of the National Guidelines on Responsible Business Conduct, which is the basis for the Circular on BRSR, states that "businesses should respect the interests of and be responsive to all its stakeholders" (SEBI, 2021[29]; SEBI, 2021[28]). The listing requirements on the sustainability reporting framework of Bursa **Malaysia** define material information as that which "substantively influence[s] the assessments and decisions of stakeholders" (Bursa Malaysia, 2022[44]).

Two jurisdictions specifically include stakeholders as relevant users of the sustainability information in their corporate governance frameworks. The code of best practice on corporate governance in **Sri Lanka** recommends companies to include "sufficient information to enable investors and other stakeholders to assess how ESG risks and opportunities are recognised, managed, measured and reported" (ICAS, 2017[45]). The **Philippines** corporate governance code includes other stakeholders in addition to shareholders as the target audience to whom "the impact of a wide range of sustainability issues" should be disclosed (SEC Philippines, 2016[46]).

In guidance related to the disclosure of sustainability information for securities issuers, the CSRC in **China** refers to sustainability information to be disclosed as "information that has a significant impact on investors' value judgments and investment decisions". At the same time, companies are encouraged to include relevant information in their sustainability disclosure, among other things, the protection of the rights and interests of employees, customers and consumers, and the protection of the environment and sustainable development (CSRC, 2021[2]).

In **Bangladesh**, disclosure of sustainability-related information is still an early stage, however, the corporate governance code recommends that directors report relevant sustainability matters to shareholders (Bangladesh SEC, 2018[3]). In **Singapore**, the *Practice Note 7.6 (Sustainability Reporting Guide)* in the SGX-ST Listing Manual sets out that listed issuers, when identifying the "material ESG factors" to be disclosed, are to consider their relevance or impact to the business, strategy, financial planning, business model and key stakeholders (SGX, 2016[39]).

2.2.3. Assurance of sustainability information

The assurance of sustainability disclosure by an independent, competent and qualified third party – similar to external auditing of financial reports – may enhance investors' confidence in disclosure and allow for greater comparability of sustainability reports across companies. However, high quality assurance for all disclosed sustainability-related information might not be possible or could be very costly. With these considerations in mind, the revised G20/OECD Principles, acknowledge the importance of assurance of sustainability disclosure and recommend phasing in of requirements for annual assurance attestations. However, in cases where high quality assurance is too costly or not possible, the G20/OECD Principles recommend the consideration of mandatory assessment of the most relevant sustainability-related metrics or disclosures, such as greenhouse gas emissions. Additionally, in the long-term, converging the level of assurance between financial statements and sustainability-related disclosures is noted as necessary (OECD, 2023[25]).

Currently, independent assurance is encouraged in several Asian jurisdictions: **Hong Kong (China)**, **Indonesia**, **Malaysia**, **Mongolia**, **Singapore**, **Viet Nam** and **Thailand**. In **India**, it is mandatory and in

Chinese Taipei, it is mandatory for specific industries while it is encouraged for all issuers (Table 2.3). In July 2023, in order to enhance the reliability of sustainability disclosures, SEBI in **India** introduced the BRSR Core containing a limited set of critical/core Key Performance Indicators (KPIs), for which listed entities shall obtain reasonable assurance. In the initial stage, this will apply to the top 150 listed entities by market capitalisation, from the financial year 2023-24. The requirement will gradually be extended to the top 1 000 listed entities by the financial year 2026-27 (SEBI, 2023[10]).

The sustainability reporting framework of Bursa **Malaysia** does not require the review of sustainability disclosure by an independent, competent and qualified assurance service provider. However, listed issuers are required to include a statement on whether the information has been subject to internal review by the internal auditor or independent assurance performed in accordance with recognised assurance standards (Bursa Malaysia, 2022[17]). Similarly, the Financial Services Authority in **Indonesia** does not require the sustainability information to be verified. However, if the information is verified, companies are required to include the written verification from an independent third party in their sustainability report (OJK, 2017[31]).

The listing rules of the stock exchange in **Hong Kong (China)** provide guidance on sustainability reporting and encourage companies to seek independent assurance. If they do, the rules require companies to include the level, scope and the processes adopted for the assurance in the relevant reports (HKEX, 2020[8]). In **Mongolia**, the sustainability information reporting guidance for listed companies encourages independent assurance of disclosed sustainability information (FRC Mongolia, IFC, WB and UN, 2022[47]). In **Chinese Taipei**, the Financial Supervisory Commission's action plan on sustainable development for companies listed on the Taiwan Stock Exchange (TWSE) and the Taipei Stock Exchange (TPEx) encourages third-party assurance (FSC Chinese Taipei, 2023[48]). In **Singapore**, listed issuers are encouraged to consider independent external assurance on important aspects of its sustainability report in its initial years, expanding coverage in subsequent years. External assurance should be performed in accordance with recognised assurance standards, for example, the International Standard on Assurance Engagements (ISAE) 3000, the Singapore Standards on Assurance Engagement (SSAE) 3000, the AA 1000 Assurance Standards or the International Organization for Standardization (ISO). The issuer should disclose in the sustainability report the scope of assurance, the identity of the external assurer, the standards used and key findings (SGX, 2016[39]). Similarly, in **Viet Nam**, a guide on environmental and social disclosure published by the SSC in collaboration with the IFC stresses the importance of independent assurance (SSC Viet Nam and IFC, 2016[42]). In **Thailand**, only GHGs emission are required to be verified by a reviewer registered with the *Thailand Greenhouse Gas Management Organization* (a public organisation) or by a reviewer using widely accepted international standards.[6]

2.3. Flexibility and proportionality in sustainability disclosure

Sound corporate governance regulation promotes the efficient allocation of capital to the real economy, as well as the effective use of capital by individual companies. To fulfil these aims, the regulatory framework should take into account the diverse and specific needs of entrepreneurs, investors and stakeholders who are impacted by the actions of companies. This underscores why the G20/OECD Principles emphasise the importance of developing a regulatory framework that is flexible enough to meet the unique needs of corporations operating under widely disparate circumstances (OECD, 2023[25]).

Regarding the disclosure of sustainability information, companies and regulators might need time to develop adequate processes and good practices. In addition, sustainability disclosure carries certain costs for corporations, which remains relatively constant regardless of the firm's size. Thus, without appropriate flexibility and proportionality measures, the cost and efforts associated with reporting sustainability-related information may not be balanced by the potential benefits. In this respect, the G20/OECD Principles acknowledge that "sustainability disclosure frameworks need to be flexible in relation to the existing capacities of companies and relevant institutions."

Table 2.4 below presents an overview of the flexibility and proportionality approaches with respect to sustainability disclosure across 18 Asian jurisdictions. Seven of these jurisdictions have introduced flexibility components for smaller companies in their relevant frameworks, namely, **China**, **India**, **Indonesia**, **Korea**, **Malaysia, Chinese Taipei** and **Thailand**.

The approaches can broadly be split into three. The first approach is to exclude smaller companies from mandated sustainability disclosure, and only subject larger companies to sustainability disclosure. This is the case in **China** and **India**. In **China**, while sustainability disclosure is recommended to most listed companies, larger listed companies (such as those included in the Shenzhen 100 Index) are required to disclose sustainability information within their Social Responsibility Reports (Shenzhen Stock Exchange, 2020[7]). In **India**, the sustainability disclosure requirement applies to the top 1 000 listed companies by market capitalisation (SEBI, 2021[9]). Importantly, as described in Section 2.2, in July 2023, the SEBI Board introduced additional requirement for the assurance of sustainability information. The assurance requirement will initially be applied to the top 150 listed companies by market capitalisation for a limited set of key performance indicators (KPIs) (SEBI, 2023[10]).

The second approach is to design separate disclosure standards for listed companies of different sizes. For instance, in **Malaysia**, the climate-related disclosure requirements for listed issuers on the ACE Market (focused on smaller growth companies) are different from that of the Main Market. While companies on the Main Market are required to disclose TCFD-aligned information, companies on the ACE Market are only required to disclose a plan to transition towards a low-carbon economy (Bursa Malaysia, 2022[49]; Bursa Malaysia, 2022[50]).

The third approach is to have different time schedules for companies of different sizes. **Indonesia** and **Korea** apply this approach. In **Korea**, the mandate for sustainability reporting disclosure will extend to listed companies with total assets of KRW 2 trillion (c. USD 1.5 billion) or more from 2025, and it will apply universally to all listed companies from 2030 onwards (FSC Korea, 2021[16]). In **Indonesia,** for instance, financial services institutions are categorised based on their core capital with different implementation deadlines for sustainability disclosure, with the application date of the requirements ranging between 2020-2025 for each category (OJK, 2017[11]).

There are also jurisdictions that used a combined flexible and proportional approach. For example, in **Chinese Taipei**, listed companies in certain industries and with paid-in capital over TWD 10 billion (c. USD 322 million) are required to file a sustainability report since 2015. Later in 2021, the revised reporting rules require companies with paid-in capital over TWD 5 billion (c. USD 161 million) to disclose relevant ESG information, along with companies in specific industries. In addition, companies with paid in capital over TWD 2 billion (c. USD 64 million) should start disclosing from 2023, while companies with paid-in capital below TWD 2 billion are required to disclose from 2025 (TWSE, 2021[51]).

Another important aspect that policy makers should consider in designing sustainability disclosure frameworks is how quickly market participants can adjust to the sustainability disclosure requirements. Normally, a phase-in period is adopted when establishing sustainability frameworks to allow companies adequate time to adjust to changes. Sustainability disclosure entails technical adjustments and capacity building so a phase-in period can help companies as well as regulators to develop adequate resources to adjust to the new requirements. In this respect, the revised G20/OECD Principles acknowledge that it may be appropriate to prioritise the disclosure requirements of some of the most relevant sustainability matters, while phasing in other requirements, such as independent external assurance, or establishing some recommendations in “comply or explain” corporate governance codes (OECD, 2023[25]). Eight of the 11 jurisdictions with binding requirements have adopted phase-in periods for disclosure requirements: **Hong Kong (China)**, **India**, **Indonesia**, **Korea**, **Malaysia**, **Singapore** and **Chinese Taipei**. In addition, the **Philippines**, which requires listed companies to disclose sustainability information on a comply or explain basis, has also adopted a three-year phase-in period for this framework (SEC Philippines, 2019[52]).

Table 2.4. Flexibility and proportionality in sustainability disclosure

Jurisdiction	Phase-in of disclosure requirements		Flexibility to SMEs	Coverage of companies
	Yes / No	Year		
Bangladesh	-	-	-	Listed companies
Cambodia	-	-	-	Financial companies
China	-	-	Yes	Listed and non-listed companies[1]
Hong Kong (China)	Yes	2013 - 2020[2]	-	Listed companies
India	Yes	2021 - 2023	Yes	Listed companies[3]
Indonesia	Yes	2019 - 2025[4]	Yes	Public companies, issuers and financial institutions
Japan	-	-	-	Listed companies
Korea	Yes	2021 - 2030[5]	Yes	Listed companies
Lao PDR	-	-	-	Listed companies
Malaysia	Yes	2023 - 2026	Yes	Listed companies
Mongolia	-	-	-	Listed companies
Pakistan	-	-	-	Listed companies
Philippines	Yes	2020 - 2023	-	Listed companies
Singapore	Yes	2022 - 2024	-	Listed companies
Chinese Taipei	Yes	2015 - 2025	Yes	Listed companies
Thailand	-	-	Yes	Listed companies[6]
Sri Lanka	-	-	-	Listed companies
Viet Nam	-	-	-	Listed companies

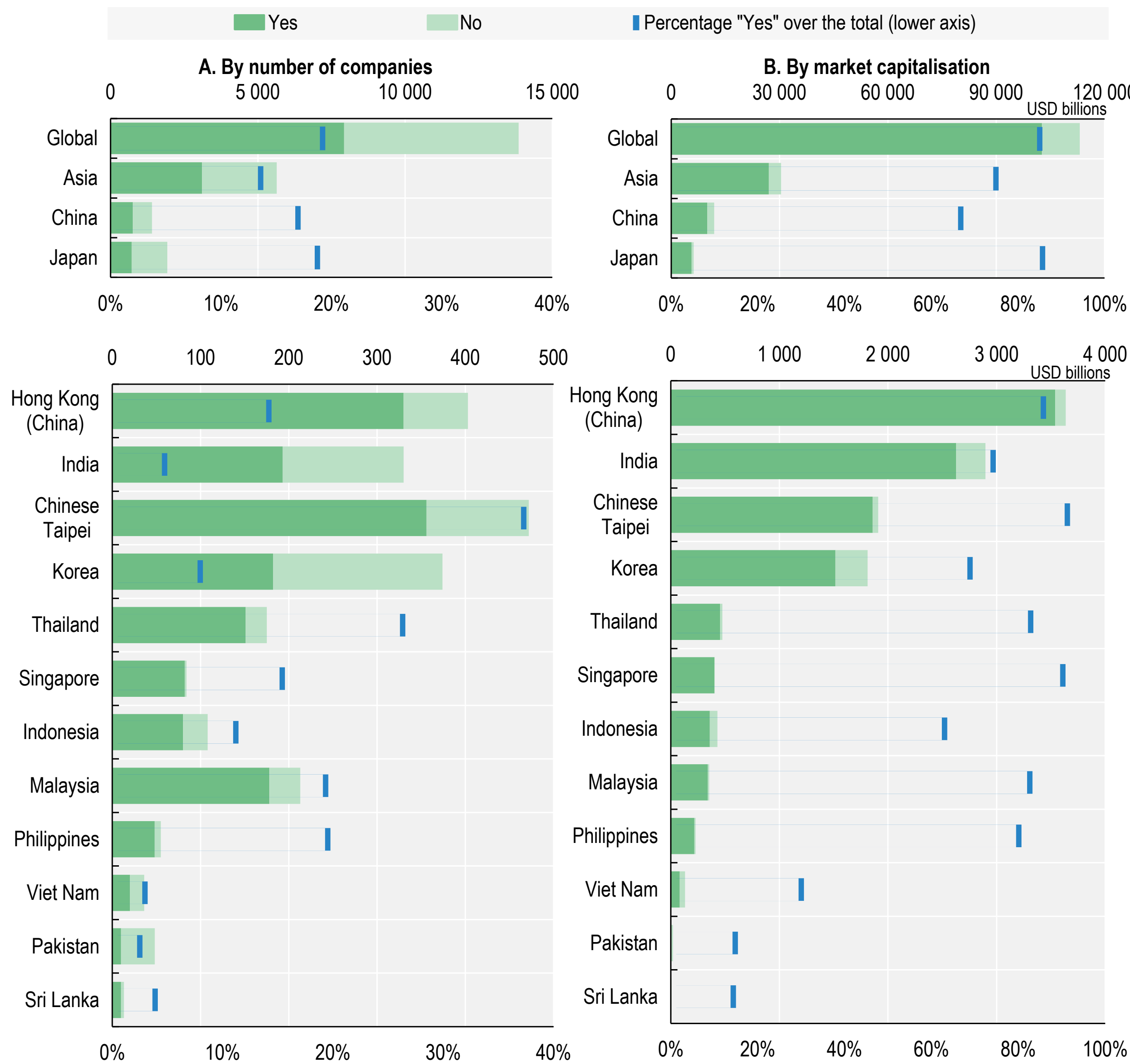
Notes:
[1] In China, companies listed on the Shanghai Stock Exchange STAR Market and companies included in the Shenzhen 100 Index, as well as some other companies, are required to disclose sustainability information. In addition, all listed companies and Chinese state-owned enterprises are encouraged to disclose sustainability information.
[2] In Hong Kong (China), the Environmental, Social and Governance Guide (ESG Guide) was launched by HKEX in 2013 as a voluntary guide. In 2016, the ESG Guide was strengthened to upgrade the disclosure obligation to "comply or explain" (HKEX, 2019[53]). In 2019, HKEX added mandatory reporting requirement that took effect on 1 July 2020.
[3] In India, the sustainability-related disclosure requirement applies to the top 1 000 listed entities by market capitalisation.
[4] In Indonesia, the deadline varies depending on the size and business classification of companies.
[5] In Korea, the phase-in of sustainability disclosure was introduced by the Korean Financial Services Commission in 2021. The transition to mandatory ESG disclosure will happen gradually: by the end of 2025 for Korean Composite Stock Price Indexes (KOSPI) companies with over a certain size (i.e. KRW 2 trillion) in assets, and by 2030's end for all companies listed on the KOSPI.
[6] In Thailand, sustainability disclosure is mandatory for all companies listed on the Main Board, including SMEs. However, SMEs listed on the Live Exchange (a dedicated platform for SMEs) are only required to disclose sustainability-related information on a voluntary basis.

2.4. Disclosure and assurance of sustainability information

Globally, 7 924 listed companies disclosed sustainability information in the form of a sustainability report or an integrated report that includes sustainability issues in 2021, representing 19% of all listed companies worldwide (Figure 2.1, Panel A). When measured by market capitalisation the share is as high as 84% (representing USD 103 trillion of equity in 2021), reflecting the fact that sustainability reporting is widespread among larger companies (Panel B).

Similar dynamics can be seen in Asia, although sustainability reporting is generally less prevalent in the region compared to global figures. Thirteen per cent of companies listed in Asia disclose sustainability information, equivalent to 74% of total market capitalisation (USD 27 trillion). However, these aggregate figures mask significant diversity within the region. For example, in **Chinese Taipei**, sustainability reports are published by companies representing 91% of total domestic market capitalisation, whereas in **Sri Lanka** the figure is only 14%. The average share in the region is 63%, which, again, is lower than the aggregate Asian share (74%) since larger companies, and therefore larger markets, publish these reports to greater extent than smaller ones. The share of companies that disclose sustainability information by market capitalisation is over 70% in nine jurisdictions: **Hong Kong (China), India**, **Japan**, **Malaysia**, the **Philippines, Singapore**, **Chinese Taipei** and **Thailand**.

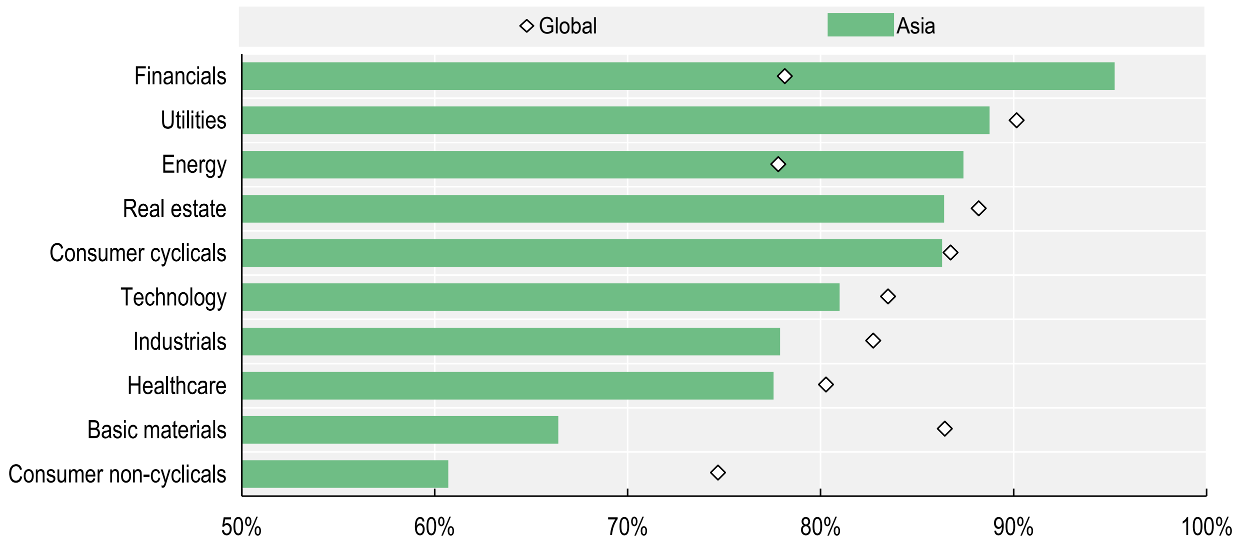
Figure 2.1. Disclosure of sustainability information by listed companies, end-2021



Note 1: The "total" in "percentage of 'Yes' over the total" includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 listed companies, while in Asia the percentage is calculated over 23 304 listed companies.
Note 2: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 3: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Figure 2.2 shows the prevalence of sustainability disclosure across industries. Around the globe, companies that made up at least 75% of the total market capitalisation across industries disclosed sustainability information. The highest share is found among utilities and real estate companies, where companies representing 90% and 88% of market capitalisation in these industries respectively have reported sustainability information. Basic materials follow, with their share amounting to 86% of total market capitalisation. In Asia, the share of market capitalisation is the largest among companies from the financials and utilities industries, at 95% and 89%, respectively. The share of companies that disclose sustainability information by market capitalisation is over 85% in three other industries: energy, real estate and consumer cyclicals.

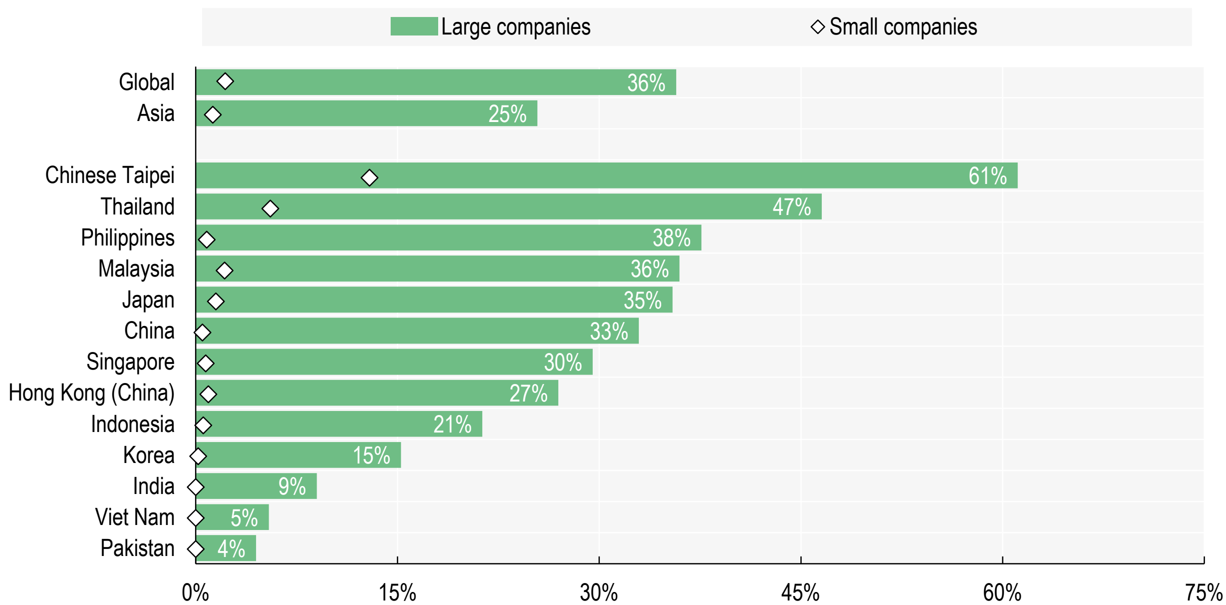
Figure 2.2. Disclosure of sustainability information by listed companies across industries, end-2021



Note 1: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 2: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

As discussed in Section 2.3, flexibility and proportionality measures are often applied to sustainability disclosure frameworks. A closer look at the sustainability disclosure at the company level reveals that there are pronounced differences between sustainability disclosure in large versus small companies, as shown in Figure 2.3. Large (small) companies are defined as those with market capitalisation above (below) the median level for each region/jurisdiction. Globally, almost four in ten large companies disclose sustainability-related information, while this number is only less than one in ten for smaller companies. A similar trend is also observed in Asia. Indeed, across all Asian countries, the share of sustainability disclosure for larger companies is significantly higher than for smaller companies. For instance, in Chinese Taipei, while 61% of large companies report sustainability information, only 13% of small companies report this information.

Figure 2.3. Sustainability disclosure in small and large companies, end-2021



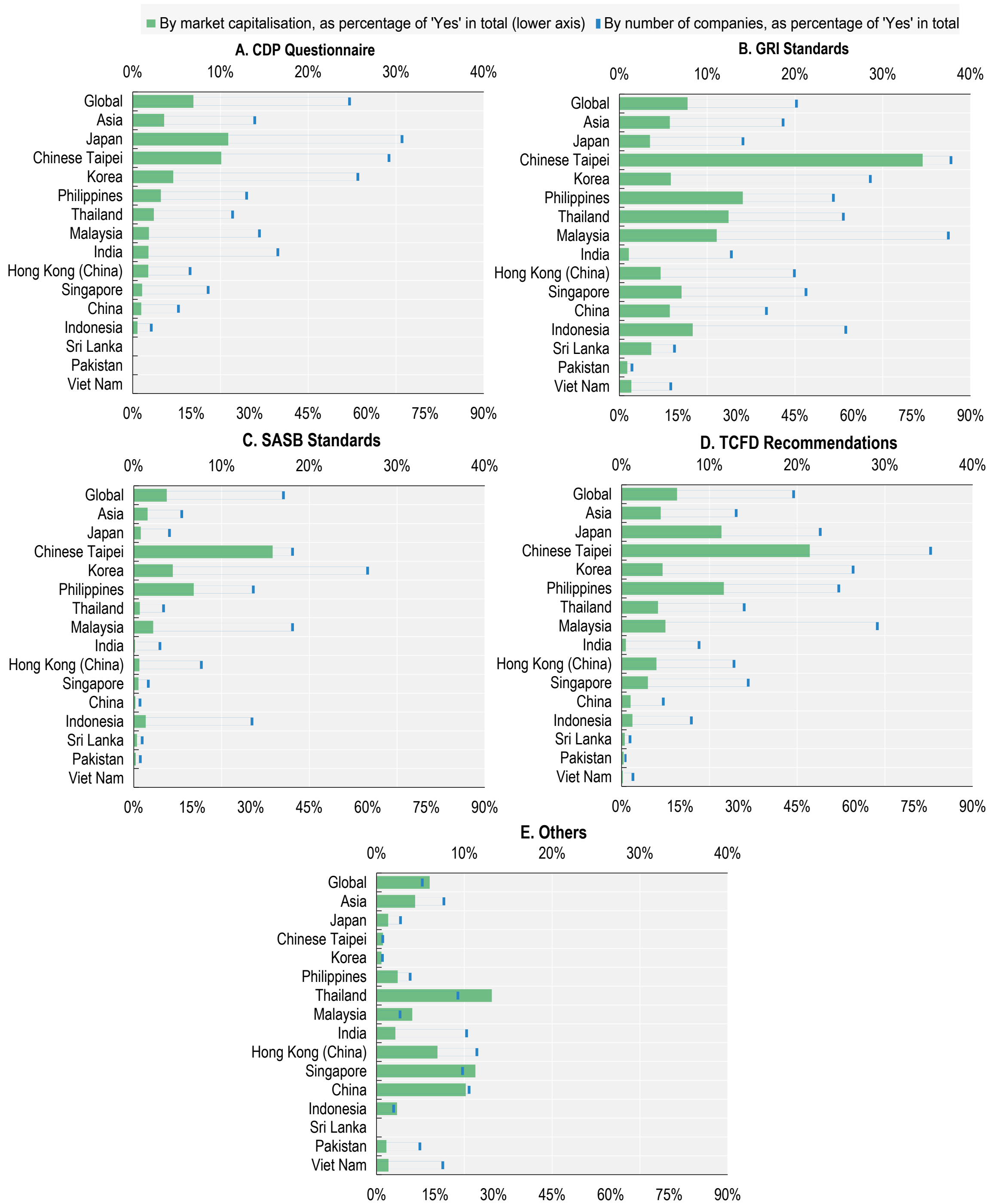
Note 1: Small (large) companies are defined as companies with a market capitalisation below (above) the median in each jurisdiction/region.
Note 2: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Companies use many different international frameworks and standards to disclose information on their sustainability-related risks and opportunities. On top of that, as shown in Section 2.2, a growing number of jurisdictions provide guidance on sustainability disclosure and are introducing their own standards and frameworks. Figure 2.4 provides information on companies' use of selected frameworks and standards. Globally, the most used standard is the *CDP questionnaires* with 2 890 companies publishing sustainability information in line with this standard, representing 55% of total market capitalisation. The *GRI Standards* are applied by 3 246 companies, accounting for 45% of market capitalisation. The *TCFD's recommendations* are used by 2 638 companies that represent 44% of market capitalisation and the *SASB Standards* are followed by 1572 companies (38% of market capitalisation). Other international frameworks and standards, including local ones, are used by 2 527 companies, representing 11% of global market capitalisation.

In Asia, the numbers are slightly different. The *GRI Standards* are applied by the largest number of companies in Asia (1 338 companies, representing 42% of the market capitalisation), followed by the *CDP's questionnaires* (837 companies, representing 31% of market the capitalisation), *TCFD's Recommendations* (1 038 companies, representing 29% of the market capitalisation) and the *SASB Standards* (1 572 companies, representing 38% of the market capitalisation).

There are four jurisdictions where the *GRI Standards* is not the most commonly used framework. In Japan and India, the *CDP questionnaires* is the most commonly used standard, and in Pakistan and Viet Nam, companies mostly report using other standards.

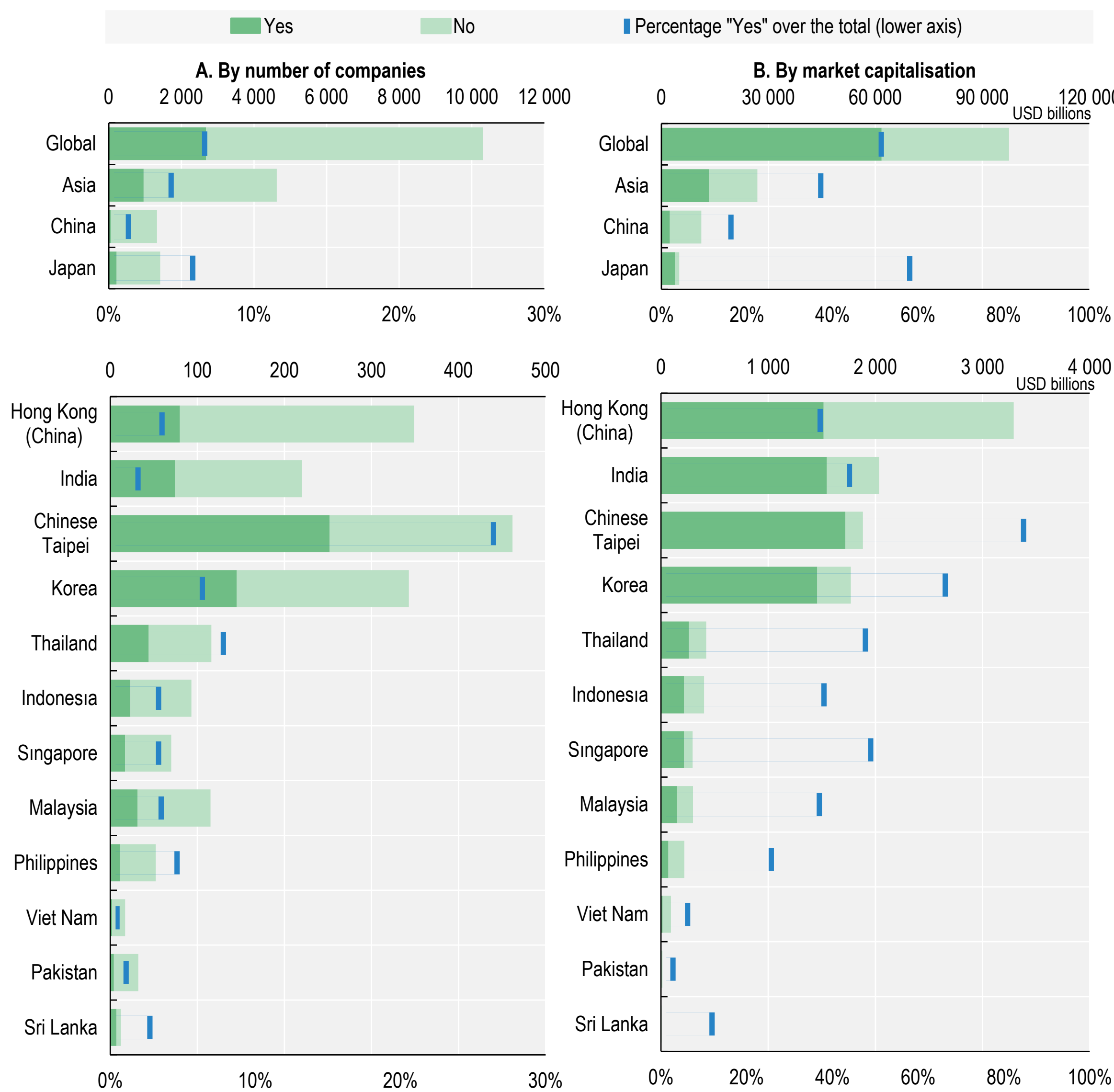
Figure 2.4. Use of sustainability standards by listed companies, end-2021



Note 1: The “total” in “percentage of ‘Yes’ over the total” includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2: “Yes” in the figure refers both to full and partial compliance with a reporting standard on sustainability disclosure. As a single company can report compliance with one or more reporting standards. The category “Others” contains all companies that disclosed sustainability information but that did not report compliance with any specific reporting standard among the four highlighted in the figure.
Note 3: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 4: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

While the number of companies reporting sustainability information is relatively high, the assurance of disclosed sustainability information by an independent third party is considerably less frequent. Globally, the sustainability information disclosed by 2 683 companies, representing only 6% of all the listed companies has been reviewed by a competent and qualified assurance service provider (Figure 2.5 Panel A). These companies represent 51% of the market capitalisation of all listed companies (Figure 2.5 Panel B). This is significantly lower than the share of the market capitalisation of companies disclosing sustainability information, which is 84% as shown in Figure 2.1 above.

Figure 2.5. Assurance of a sustainability report by an independent third party, end-2021



Note1: The “total” in “percentage of ‘Yes’ over the total” includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 3: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

In Asia, the share of companies by number and market capitalisation with sustainability information assured by an independent third party is 4% and 37%, respectively, which is lower than the global figures. Similar to the trend in disclosure of sustainability information, there are also significant differences across jurisdictions. The share of companies that have independent assurance for their sustainability information by market capitalisation is over the global share (51%) in three jurisdictions: Japan (57%), Korea (66%) and Chinese Taipei (84%), while the share is significantly lower in Pakistan, Sri Lanka and Viet Nam with 2%, 11% and 6%, respectively.

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Notes

[1] Listed issuers on the ACE Market are not required to include climate-related disclosures. However, they are required to disclose a basic plan to transition towards a low-carbon economy.

[2] Material environmental, social and governance factors; policies, practices and performance; targets; sustainability reporting framework; and board statement.

[3] The TCFD recommendations also include a number of documents providing detailed guidance on how to better comply with the recommendations, such as the report “Guidance on Scenario Analysis for Non-Financial Companies”

[4] As of June 2023, the Sector standards for Oil and Gas, Coal, and Agriculture, Aquaculture and Fishing have been completed.

[5] In relation to other sustainability standards, the Securities and Exchange Commission of Pakistan has also issued the Green Bonds Guidelines to contribute positively to protect the environment, combat climate change, promote and facilitate issuance of green bonds. The SECP has also issued Gender Bond Guidelines to promote gender equality, women empowerment, uplift the low-income segment of women and facilitate issuers of debt securities to diversify their source of financing. The SECP also issued Stewardship Guidelines for Institutional Investors recommending to integrate in their engagement policy sustainability considerations including environmental, social and governance factors.

[6] To accommodate Thai firms, SEC grants an annual fee exemption to listed companies equal to the GHGs emission verifying fees for the period of 2021-2023 and it is being considered to further these initiative for another three years.

3 The board of directors

This chapter provides an overview of the fiduciary duties of the board of directors' and how company law defines the purpose of a corporation in Asian economies. It outlines the various responsibilities related to sustainability in the governance of companies and how jurisdictions are using measures to promote sustainability disclosure and other initiatives by companies.

In order to provide a framework for boards to function effectively, corporate law generally presents a definition of directors' duties based on two main elements: the duty of care and the duty of loyalty. As set out by the G20/OECD Principles of Corporate Governance, "the duty of care requires boards to act on a fully informed basis, in good faith, with due diligence and care". The duty of loyalty requires directors to place the interests of the company and its shareholders before their personal interests. It "underpins the effective implementation of other principles relating to, for example, the equitable treatment of shareholders, monitoring of related party transactions and the establishment of the remuneration policy for key executives and board members" (OECD, 2023[1]).

In relation to these responsibilities of boards, sustainability-related developments have increasingly important implications for companies. As a result, policy makers in several jurisdictions have introduced regulatory frameworks governing how boards should manage risks related to sustainability issues while contributing to the sustainability and resilience of their corporations. Several jurisdictions have already amended their legislation to highlight the importance of stakeholders' interests, shifting from the shareholder-focused paradigm. The potential implications of sustainability-related matters on the responsibilities of the board relate to four key issues, namely: i) flexibility in the interpretation of directors' fiduciary duties; ii) the emergence of social enterprises with a public purpose; iii) practices regarding executive compensation plans; and iv) the use of board committees.

3.1. Legal frameworks for the responsibility of the boards

In the context of sustainability, the duty of loyalty, while not always as straightforward as the duty of care, could imply a wider range of factors and stakeholder considerations that a board can and should consider when making decisions about how the company is governed, rather than only considering shareholder primacy. In this respect, the G20/OECD Principles were revised in 2023 with the overarching goal of supporting the sustainability and resilience of corporations, advocating for the inclusion of the interest of stakeholders to the extent that this interest serves the company's long-term success and performance within the responsibilities of boards. The G20/OECD Principles recommend that "Board members should take account of, among other things, the interests of stakeholders, when making business decisions in the interest of the company's long-term success and performance and in the interest of its shareholders" (OECD, 2023[1]).

Jurisdictions differ in their approach to the subject of directors' duty of loyalty. This tends to fall into two main categories: the "shareholder primacy" view, which still requires attention to stakeholders' interests, but typically this would be limited in its scope to those interests that may also add to shareholder's value in the long-term; and "stakeholders capitalism" where directors need to balance shareholders' financial interests with the best interests of stakeholders, and fulfil a number of public interests (OECD, 2022[2]).

Broader stakeholder and sustainability-related considerations have also had an impact on the application of the business judgement rule in some jurisdictions.[1] In addition, in recent years, there has been an increasing number of companies establishing sustainability committees and including ESG metrics in their performance measures.

3.1.1. Fiduciary duties of boards

The public policy debate regarding the fiduciary duties of corporate boards has evolved over time. For decades, it was assumed that the goal of equity investors was to maximise their financial returns relative to their acceptable risk, while the stakeholders of the company (e.g. employees) and the general public were expected to turn to contracts and statutes to protect their interests (OECD, 2023[3]; Friedman, 1970[4]). However, in recent years there have been increasing calls from company stakeholders for a greater focus on sustainability in company decision-making. Companies and regulators have also been giving increased consideration to sustainability risks and opportunities in response to demands by investors, who are requesting better information to assess companies' value and their investment and/or voting decisions.

A company's commitment to all its stakeholders can serve its long-term profitability. As noted in the G20/OECD Principles of Corporate Governance, taking account of the interests of stakeholders when making business decisions "[m]ay help companies to attract, retain and develop more productive employees, to be supported by the communities in which they operate, and to have more loyal customers, thus creating value for their shareholders" (OECD, 2023[1]). Because corporate law does not generally *fully* adhere to the "shareholder primacy" view, companies have scope to prioritise the interests of stakeholders in some circumstances (OECD, 2022[2]).

Overall, most jurisdictions require directors to act in the best interest of the company, which indirectly implies a consideration of stakeholders' interests, as stakeholders are important to the long-term interest of the company. As shown in Table 3.1, in many jurisdictions it has been established that directors would have also to consider stakeholders' interests and the social and environmental stakes of a company's activity (14 of 18 jurisdictions), even while their core duty may be to act in shareholders' best interests. Among the jurisdictions covered by this report, there are several where the fiduciary duties of directors are to the company and it is not explicit that this requires directors to consider or take into account stakeholders' interests, and the social and environmental impacts of a company's activity, however it is not precluded and can be interpreted to mean that best interests of the company or shareholders imply a consideration of stakeholders' interests for the long-term success of the company. For example, in **Bangladesh**, **Hong Kong (China)** and **Indonesia** the duties are towards the company, while in **Korea** the directors' fiduciary duty is to the company and to shareholders in general.

In the **Philippines,** the Code of Corporate Governance for Publicly-Listed Companies defines "stakeholders" broadly as "any individual, organization or society at large who can either affect and/or be affected by the company's strategies, policies, business decisions and operations, in general. This includes, among others, customers, creditors, employees, suppliers, investors, as well as the government and community in which it operates." Under Principle 1 of the Code, to establish a competent board, the board is tasked with fostering "the long-term success of the corporation" and to sustain "its competitiveness and profitability in a manner consistent with its corporate objectives and the long-term best interests of its shareholders and other stakeholders". The Code recommends that "Board members should act on a fully informed basis, in good faith, with due diligence and care, and in the best interest of the company and all shareholders" and explains that "[t]here are two key elements of the fiduciary duty of board members: the duty of care and the duty of loyalty." Further, Principle 16 requires the company to "be socially responsible in all its dealings with the communities where it operates. It should ensure that its interactions serve its environment and stakeholders in a positive and progressive manner that is fully supportive of its comprehensive and balanced development" (SEC Memorandum Circular No. 19, Series of 2016, 2016[5]).

In **Mongolia**, the Company Law requires board members and senior management to make decisions "in compliance with the interest of a company" and to avoid conflicts of interest when making company decisions and to notify if a conflict arises (Law on Company, 2020[6]). Further, the Company Governance Code requires under Principle 7 that "(t)he company will respect the interests of other stakeholders in its operations" and have "a policy document on communication and cooperation with other stakeholders approved by the board of directors." Further, Principle 9 requires the company to provide investors and stakeholders with certain information and stresses the need for "regular communication with and reporting to stakeholders on environmental, social, and governance issues" (FRC Mongolia, 2022[7]). As such, while shareholders' interests would be central for governing members of companies, they would still need to consider the interests of stakeholders.

In **Lao PDR**, the Decision on Board of Directors sets out that the board of directors must protect the interest of shareholders, be transparent and fair, and follow the principles of the duty of loyalty and the duty of care (Decision on Board of Directors (No. 10/LSC), 2019[8]). The Enterprise Law specifies that enterprises have the obligation to, among others, “protect the legitimate rights and interests of workers, preserve the environment…[and]…contribute toward the national and public security”, making it clear the that obligation of companies is broader than just to company shareholders (Enterprise Law (No. 46/NA), 2013[9]).

In **China**, directors and senior staff are required to “assume the duty of loyalty and duty of care to the company”, per article 147 of the Company Law (National People's Congress, 2018[10]). Further, article 3 of the Municipal Corporate Governance Guidelines requires directors to “protect the legitimate rights of shareholders and ensure that they are treated fairly, respect the basic rights and interests of stakeholders, and effectively enhance the overall value of the enterprise”. Further, article 26 requires the board to “pay attention to the legitimate rights and interests of other stakeholders” and Section VIII is dedicated to “Stakeholders, Environmental Protection and Social Responsibility” (CSRC, 2018[11]).

The approach in **Korea**, is to specify that the duty is to the company and to shareholders in general. Under the Commercial Act 2020, article 382-3 sets out a duty of loyalty by directors, requiring them to “perform their duties in good faith for the interest of the company in accordance with statutes, and the articles of incorporation.” Further, the general standard is to act with the “due care of a good manager” (Commercial Act (No. 17362), 2020[12]; Civil Act (No. 19098), 2022[13]). This approach is supported by the Korean KOSPI Market Disclosure Regulation (article 24-2), the Enforcement Rules (article 7-2) and the Core Principles of Corporate Governance (in Annex 1 of the Regulations) (Korea Exchange, 2023[14]; Korea Exchange, 2023[15]). In particular, the Core Principles set out under Principle 3 on “Functions of the Board”, state that the Board must “establish the business objectives and strategies in the best interests of the corporation and its shareholders, and effectively supervise the activities of the management” (Korea Exchange, 2019[16]).[2]

In **Hong Kong (China),** the governance regime for listed companies derives from the common law and key legislation, non-statutory rules, codes and best practices. The duty of care of directors is set out in the Companies Ordinance (Cap. 622, section 465), involving both an objective and subjective test that requires a director to exercise a standard of care, skill and diligence that would be exercised by a reasonably diligent person (Hong Kong Department of Justice, 2014[17]). A company director must “act honestly and in good faith in the interests of the company as a whole” according to the listing rules, and interests of the company has generally been interpreted to mean shareholders’ (both present and future) financial interests (Lo and Qu, 2018[18]; Companies Registry, 2014[19]). Further, under the listing rules a “listed issuer must ensure that its directors accept full responsibility, collectively and individually, for the listed issuer’s compliance with the Exchange Listing Rules.” This includes ESG-related disclosure obligations under the listing rules.

Table 3.1. Legal frameworks for the responsibility of the boards

Jurisdiction	Fiduciary duties	Business judgement rule	Legislation for public benefit corporations (PBCs) or similar	Controls in PBCs or similar entities	Requirement to convert to a PBC or similar entity
Bangladesh	-[1]	No	No	-	-
Cambodia	Shareholders and have regard to stakeholders	No	No	-	-
China	Shareholders and have regard to stakeholders	No	No	-	-
Hong Kong (China)	-[2]	Yes	No	-	-
India	Shareholders and have regard to stakeholders	Yes	No	-	-
Indonesia	-[3]	Yes	No	-	-

Jurisdiction	Fiduciary duties	Business judgement rule	Legislation for public benefit corporations (PBCs) or similar	Controls in PBCs or similar entities	Requirement to convert to a PBC or similar entity
Japan	Shareholders and have regard to stakeholders[4]	Yes	No	-	-
Korea	Shareholders[5]	Yes	Yes	Controls around use of profits[6]	Must satisfy certain government requirements
Lao PDR	Shareholders and have regard to stakeholders	No	No	-	-
Malaysia	Shareholders and have regard to stakeholders	Yes	No[7]	-	-
Mongolia	Shareholders and have regard to stakeholders	No	No	-	-
Pakistan	Shareholders and have regard to stakeholders	Yes	No	-	-
Philippines	Shareholders and have regard to stakeholders	Yes	No	-	-
Singapore	Shareholders and have regard to stakeholders	Yes	No[8]	-	-
Chinese Taipei	Shareholders and have regard to stakeholders	Yes[9]	No	-	-
Thailand	Shareholders and have regard to stakeholders	Yes	Yes	Controls around revenue source and reinvestment of profits	Must register as a social enterprise
Sri Lanka	Shareholders and have regard to stakeholders	No	No	-	-
Viet Nam	Shareholders and have regard to stakeholders	No[10]	Yes	Inform the competent authority when a social or environmental objective is terminated, or profit is not used for re-investment	Must register as a social enterprise

Notes:

[1] The Companies Act does not mention the duties, the draft Corporate Governance Guidelines 2020 refers to the “company” (Companies Act (No.18), 1994[20]).

[2] The legislation refers to the “company”. While directors owe a fiduciary duty to the company and shareholders, the HKEX Listing Rule 3.16 could be interpreted that directors must ensure compliance with all of the ESG-related disclosure obligations under the Listing Rules (HKEX, 2023[21]). The reporting requirements in sections 388 and 389 of the Companies Ordinance may also imply that directors need to consider the environment (Hong Kong Department of Justice, 2014[17]).

[3] The Company Law 2007 refers to the “company” (Company Law (No. 40), 2007[22]).

[4] While the Companies Act refers to the “company”, the Corporate Governance Code mentions that directors would have also to coordinate with stakeholders taking into account that company’s sustainable growth and long-term value creation can benefit from contributions by stakeholders including employees, customers, creditors, etc.

[5] The framework for Korea is set out in the (Commercial Act (No. 17362), 2020[12]; Korea Exchange, 2019[16]).

[6] A social enterprise must use at least two-thirds of its profits towards the realisation of its social objectives, if it generates distributable profits in any given fiscal year. A social purpose must be specified in the articles of incorporation.

[7] There is no legislation for public benefit corporations, however, the Companies Act 2016 of Malaysia, Section 45/(h) sets out that a company limited by guarantee, which cannot be formed with share capital, could promote any other object useful for the community or country. Additionally, there are no provisions in the local legal/regulatory framework which prohibits public and private companies other than a company limited by guarantee to pursue explicit objectives related to environmental and social matters. Section 38/(3) of the Companies Act 2016 states that the constitution of a company limited by a guarantee must state the objectives of the company.

[8] Singapore has the concept of social enterprises, however they tend to be private limited companies (British Council, 2020[23]).

9 While not explicit, the Supreme Court recognises and describes the connotation of the law of commercial judgement (110 Tai Shang Zi No. 117, 2010[24]).

10 The responsibilities of members of the Board of Directors, members of the Supervisory Board, the Director (General Director) and other executives of public companies are specified in Clause 1, Article 48, Appendix I of (Circular on corporate governance applicable to public companies (116/2020/TT-BTC), 2020[25]). The Model Charter in this Circular suggests the rights and obligations of the Board of Directors: "to have full authority on behalf of the Company to decide and perform the rights and obligations of the company, except for rights and obligations under the authority of the General Meeting of Shareholders" and the responsibility to be honest and avoid conflicts of interest while also ensuring compliance with other relevant laws (e.g. (National Assembly of Viet Nam, 2020[26]; Law on Securities (No. 54/2019/QH14), 2019[27]; Decree No. 155/2020/ND-CP, 2020[28])).

Source: Please see Annex B of this report for relevant sources by jurisdictions.

3.1.2. Application of the business judgement rule

While directors can play an important role in addressing environmental and societal changes through fulfilling their duties, it is not the sole responsibility of corporate directors to solve these issues. As such, the G20/OECD Principles of Corporate Governance suggest that to "guide corporate activities, sectoral policies that make companies internalise environmental and social externalities as well as corporate governance frameworks that set predictable boundaries within which directors have to exercise their fiduciary duties should be considered by policy makers" (OECD, 2023[1]). Such policies and frameworks are anticipated to assist with determining if a director has carried out their fiduciary duties and the application of the business judgement rule to their decisions.

The business judgement rule acts as a presumption that the board of directors acted in the best interest of the company unless plaintiffs can prove negligence or bad faith (Baraka, 2013[29]). Similarly, if there is a conflict of interest for a director, the court will not typically uphold the presumption of the business judgement rule applying. As highlighted by the G20/OECD Principles, "[t]here is some risk that a legal system that enables any investor to challenge corporate activity in the courts can become prone to excessive litigation. Thus, many legal systems have introduced provisions to protect management and board members against litigation abuse in the form of screening mechanisms, such as a pre-trial procedure to evaluate whether the claim is non-meritorious, and safe harbours for management and board member actions (such as the business judgement rule) as well as safe harbours for the disclosure of information. In the end, a balance must be struck between allowing investors to seek remedies for infringement of ownership rights and avoiding excessive litigation" (OECD, 2023[1]).

The business judgement rule is a safe harbour for determining whether directors have complied with their fiduciary duties in their decision-making. Even if a company board member has a strictly defined shareholder primacy rule in their jurisdiction, the business judgement rule has been adopted in many legal systems and legislation in Asia. This can, for example, authorise companies to donate money, which indicates that there is some flexibility for boards to consider different stakeholders' interests (Fisch and Davidoff Solomon, 2021[30]). Under the business judgement rule, it has been unlikely in practice that an executive would be held liable in court if they prioritised a stakeholder's interest within reasonable limits at the expense of a company's current profits (except where there is a conflict of interest, gross negligence or fraud). Generally, the case law in this area would defer to the board member's assessment of what would likely be in the best interests of the company in the long-term, without the benefit of hindsight (OECD, 2023[3]).

Among the 18 Asian jurisdictions covered in this report, 11 apply the business judgement rule or a similar safe harbour for directors in their decision-making (Table 3.1).

Some jurisdictions, such as **Indonesia**, **Malaysia** and **Thailand**,[3] have incorporated the business judgement rule in their statutory law. For instance, **Malaysia** has a statutory business judgement rule in the Companies Act (section 214). Within the Companies Act, business judgement is defined as any decision on whether or not to take action in relation to a matter relevant to the company. The law deems a director who makes a business judgement to have met the requirement to exercise reasonable care, skill and diligence if they satisfy four conditions: i) they made the business judgement for a proper purpose and in good faith; ii) they do not have a material personal interest in the subject; iii) they are informed about the subject matter to the extent that the director reasonably believes is appropriate in the circumstances; and iv) they reasonably believe that the business judgement is in the best interest of the company (Companies Act (No. 777), 2016[31]).

On the other hand, some jurisdictions, such as Hong Kong (China), India, Japan, Korea, the Philippines, Singapore and Chinese Taipei have developed the business judgement rule via the courts. In **Singapore**, case law has established the application of the business judgement rule, rather than a statutory rule. The case law establishes that courts do not second-guess the commercial decisions of directors in acting in the best interests of the company. As such, the courts generally will not interfere with business decisions as long as the directors acted in good faith, and the decisions were independently made and diligently informed. However, this is unlikely to be the case if there are allegations of fraud, breach of fiduciary duty or conspiracy. Although decisions by directors are subjective in nature, the court usually applies an objective test of some form, for instance whether an honest and diligent person in the position of the directors, taking an objective view, could reasonably have concluded that the transactions were in the interests of the company, without the benefit of hindsight. This requires attempting to understand the transaction as it appeared at the time to the board.[4]

3.1.3. Public benefit corporations or similar regimes

Traditionally organisations could be registered as for-profit or not-for-profit, resulting in a clear difference in their purpose and how they operate (Resor, 2012[32]). Generally, despite some differences in corporate law, a company still cannot significantly divert from its profit-making goal without being authorised by its shareholders. The primary basis for this constraint can be found in the fiduciary duties of directors explained in Section 3.1.1 (OECD, 2023[3]). Around the world, some jurisdictions have recently amended their legislation to create the corporate model of public benefit corporations (PBCs), or similar models that enable companies to have both for-profit and public benefit objectives. This has in part been due to some shareholders expressing interest for companies to adopt objectives that, for example, allow them to pursue explicit objectives related to environmental and social matters, other than the sole objective to maximise profits in the long-term. Jurisdictions that have implemented this type of legislation include Colombia, Ecuador, France, Italy, Korea, Peru, Thailand, the United States and Viet Nam.

However, the public benefit corporation model is less prominent in Asia. As shown in Table 3.1, there are three jurisdictions covered by this report that have created a separate legal form for social enterprises: **Korea** (Government of Korea, 2007[33]); **Thailand** (Government of Thailand, 2019[34]); and **Viet Nam** (National Assembly of Viet Nam, 2020[26]; The Government of Vietnam, 2021[35]; Lim, 2022[36]). Accordingly, while the specifics differ between jurisdictions, directors of PBCs or similar social enterprise companies are required, in line with the mission of the company, to balance the impact of their decisions on their shareholders and stakeholders, which can include employees, customers, the public or the environment in general (Dalessandro, 2019[37]).

In **Korea**, under the Social Enterprise Promotion Act a 'social enterprise' is an entity certified by the Minister of Employment and Labour, that pursues social objectives while engaging in business activities such as production and sales of goods and services. As of 2019, there were estimated to be 2 435 social enterprises.[5] In terms of form, a social enterprise may be a corporation or association defined in the Civil Act, a company or limited partnership under the Commercial Act, or a corporation or a non-profit, non-governmental organisation established under any Special Act.[6] If a social enterprise generates distributable profits for a fiscal year, it needs to use at least two-thirds of these profits towards the realisation of its social objectives.[7] The social purpose must be specified in the articles of incorporation. There are also special rules governing the process for winding up these companies (Government of Korea, 2007[33]; Peter, 2023[38]). Further, the concept of a 'social venture' was recently established by the Act on Special Measures for the Promotion of Venture Businesses. A social venture is a business venture that pursues both social and economic values, and must have a social purpose and an innovative growth potential. Their social purpose needs to be specified in the articles of incorporation (Ministry of SMEs and Startups, 2020[39]).

In **Viet Nam**, the framework is established by the Law on Enterprises and Decree No. 47/2021 (National Assembly of Viet Nam, 2020[26]; The Government of Vietnam, 2021[35]).[8] It establishes that ‘social enterprises’ operate for the purposes of resolving social and environmental issues for public interests and that they are required to use at least 51% of their annual post-tax profit for re-investment to achieve registered targets. The entity must inform the competent authority when they stop pursuing a social or environmental objective or fail to reinvest profits. In terms of the legal form, the Act permits social enterprises to be registered as limited liability companies, joint stock companies, partnerships and sole proprietorships. The Act also commits the government to adopt policies to encourage and assist in development of social enterprises.

In **Thailand**, the Social Enterprise Promotion Act of 2019 provides a policy mechanism for the promotion of registered social enterprises that aim to deliver a positive social impact while making a profit. There are two registration types according to the Act: profit-sharing (more restrictive criteria compared to non-profit-sharing entities, profit-sharing entities must generate half their revenues from the business and reinvest 70% of profits); and non-profit-sharing (eligible for corporate tax to be waived). In terms of form, the registration requirements include that the entity must be a legal person and can be structured as a limited company, co-operative or foundation. The Securities and Exchange Commission of Thailand (SEC) allows registered entities to raise public funds without having to change from a limited company to a public limited company and without applying for the SEC’s permission.[9] Benefits also include preferential treatment in government procurement as well as access to loans or grants (Government of Thailand, 2019[34]; British Council, 2020[40]; Prateeppornnarong and Nuchpiam, 2022[41]).

In Asian jurisdictions where there is no separate legal form or framework, these enterprises are often structured as a private limited company. It may be possible for models that give similar outcomes to public benefit corporations to operate in many Asian jurisdictions under their current legal frameworks. However, there are arguments that under the current frameworks there is the risk that social enterprises could deviate from the social purpose or prioritise maximising profit over the pursuit of social benefits, particularly where conflicts of interest are difficult to manage (Lim, 2023[42]).[10] As such, a key decision point arises when there is a choice for a company to either prioritise achieving a public benefit or to maximise profit for the company (and it is not possible to do both). Practically, under the current frameworks in many Asian jurisdictions, a company limited by shares can amend the company constitution to include a social mission.[11] However, the constitution can later be amended or removed by special resolution, for instance, depending on the specific law, if the majority shareholders change and decide the company should only pursue profits instead (Lim, 2022[36]). As recommended in the G20/OECD Principles, “[s]uch frameworks should provide for due consideration of dissenting shareholder rights”. Further, when a for-profit company decides to also pursue public benefit objectives, safeguarding mechanisms can include “requiring the consent of minority shareholders or a supermajority shareholders’ approval for a company to add public benefit goals to its articles of association, or by providing the right for dissenting shareholders to sell their shares back to the company at a fair price” (OECD, 2023[1]).

In **Malaysia**, the Social Enterprise Accreditation Guidelines provide a definition of social enterprise: a “[b]usiness entity that is registered under any written law in Malaysia that proactively creates positive social or environmental impact in a way that is financially sustainable” (MED Malaysia, 2019[43]). There is an accreditation process for such enterprises in Malaysia, but a specific corporate form is not required. These social enterprises tend to be private limited companies. Furthermore, the Guidelines state that the “[s]ocial/environmental goal does not need to be the organisation’s main goal or its top priority – it is acceptable for organisations to have pursuit of profit as their main aim”. They must be financially sustainable,[12] contribute significant resources to the social or environmental mission and comply with reporting requirements.

While **Indonesia** has no specific legal entity for a social enterprise, there are informal social ventures, which often tend to be in the form of: a foundation, an association, a cooperative, a private limited company or a *commanditaire vennootschap* (a type of social enterprise established by one or more people but with no separation of assets) (Maria R.N. Radyati, 2019[44]; British Council, 2021[45]; Aluisius Hery Pratono, 2016[46]). Similarly, there are provisions in the **Philippines'** Corporation Code that allow corporations to include social and environmental objectives in their Articles of Incorporation, indicating a commitment to a social and environmental purpose, but there is not a specific form for this type of organisation. This is also the case for many Asian jurisdictions.

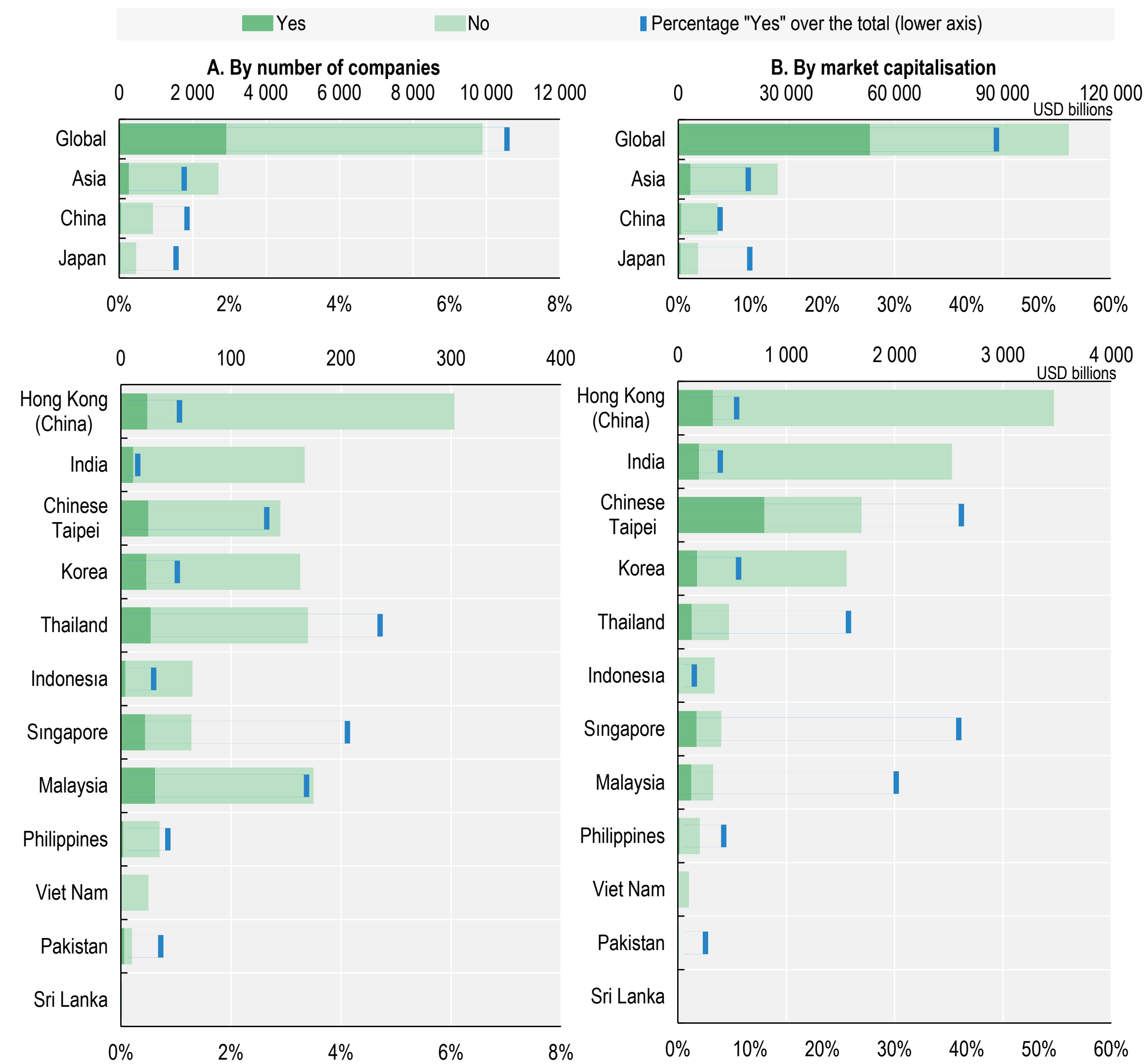
3.2. Executive renumeration and sustainability committees

In addition to sustainability disclosure and assurance, the inclusion of ESG metrics in compensation plans could further serve as a tool to ensure accountability of management for companies' ESG performance. The G20/OECD Principles recommend that company disclosure should include "material policies and performance metrics related to environmental and social matters". They also highlight the link between remuneration and a company's long-term performance, sustainability and resilience. They elaborate that "[t]he use of sustainability indicators in remuneration may also warrant disclosure that allows investors to assess whether indicators are linked to material sustainability risks and opportunities and incentivise a long-term view" (Principle IV.A.6) (OECD, 2023[1]).

Globally, companies representing 85% of global market capitalisation have executive compensation policies that are linked to some type of performance measure, including financial metrics. In recent years, there has been an increasing number of companies including sustainability-related metrics in their performance measures. By the end of 2021, around 3 000 companies globally representing 44% of market capitalisation include a variable component of executive remuneration based on sustainability factors (Figure 3.1, Panels A and B). For Asian listed companies, these numbers are lower. In the region, 66% of companies by market capitalisation have performance-based incentives for executives, and only 9% have a performance compensation policy linked to sustainability factors. Within the region, Chinese Taipei (39%), Singapore (38%), Malaysia (30%), Thailand (23%) and Japan (10%) stand out with percentages above the Asian average.

The G20/OECD Principles recommend that boards should fulfil certain key functions, one of which is risk management. Notably, as part of the overall risk management strategy, directors should ensure that the structure, composition and procedures are adapted as necessary to integrate the consideration of sustainability risks. If sustainability risks are financially material for a company, they would have to be properly managed by senior executives and overseen by the board (OECD, 2020[47]). For that purpose, the creation of a committee responsible for overseeing the management of sustainability risks and opportunities has become increasingly common (OECD, 2023[48]). It is worth mentioning that a board committee responsible for sustainability is one way for a company to manage "social and environmental risks, opportunities, goals and strategies, including related to climate" (OECD, 2023[1]). However, the necessity of such a board might not be evident for certain enterprises, as noted in the G20/OECD Principles: "[t]he establishment of committees to advise on additional issues should remain at the discretion of the company and should be flexible and proportional according to the needs of the board" (OECD, 2023[1]).

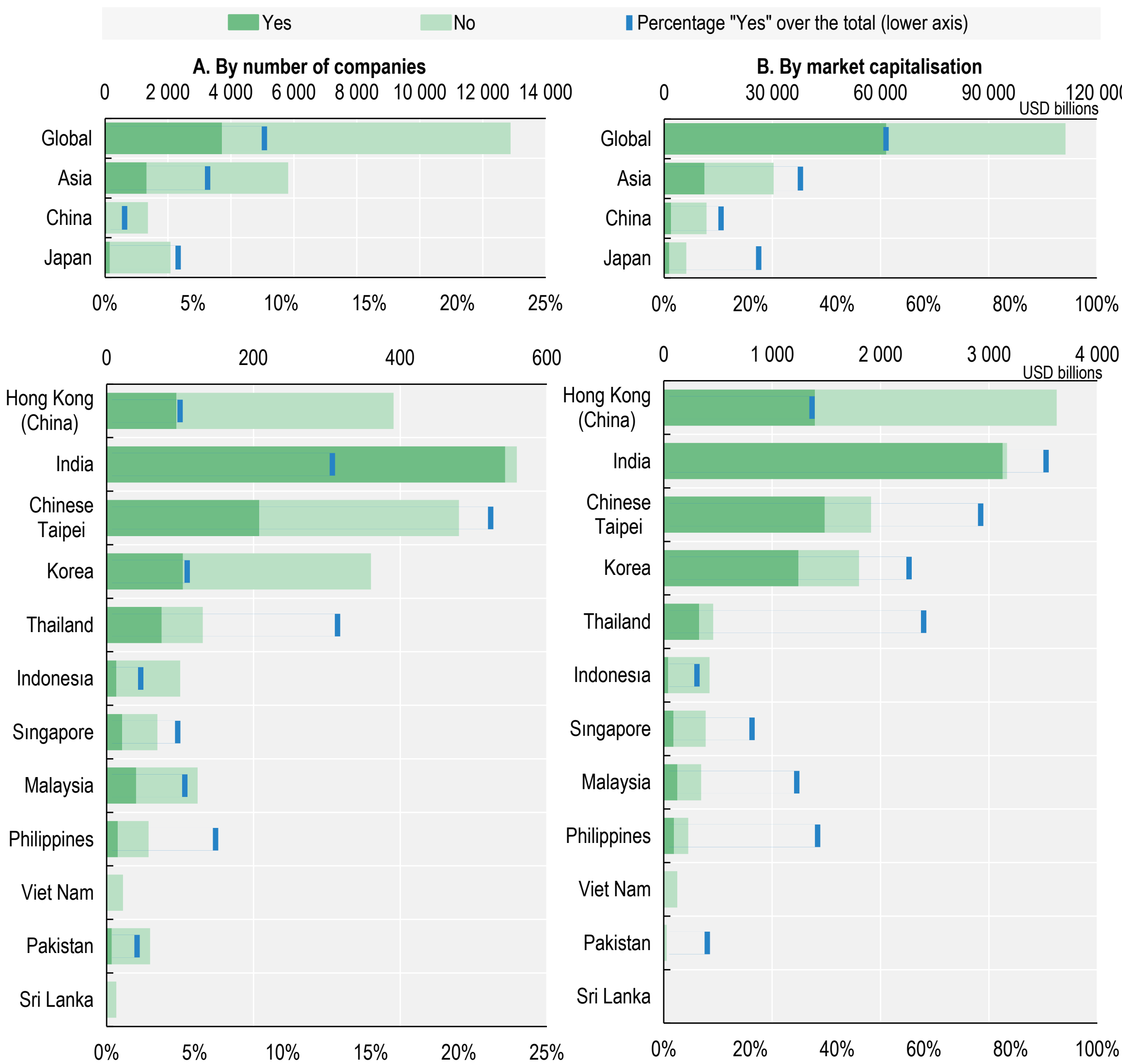
Figure 3.1. Executive compensation linked to sustainability matters, end-2021



Note 1: The “total” in “percentage of ‘Yes’ over the total” includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2: The compensation policy includes remuneration for the CEO, executive directors, non-board executives and other management bodies based on “ESG or sustainability factors”.
Note 3: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 4: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG. See Annex for details.

Companies representing around half of the world’s market capitalisation have established a committee responsible for overseeing the management of sustainability risks and opportunities, reporting directly to the board. Notably, these companies represent less than 10% of the number of listed companies globally, suggesting that companies establishing a sustainability committee are in its majority large companies. Among Asian listed companies, it is around a third and the share of companies is even lower at 5.7% (Figure 3.2, Panel B). However, there are significant differences across jurisdictions. Several Asian jurisdictions exceed the global average by market capitalisation, such as India with 88%, Chinese Taipei with 72%, Thailand with 59% and Korea with 56%. This contrasts with very low shares in Viet Nam and Sri Lanka (Figure 3.2, Panel B).

Figure 3.2. Board committees responsible for sustainability, end-2021



Note 1*:* The "total" in "percentage of 'Yes' over the total" includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2*:* A company is considered to have a board committee responsible for sustainability if the responsibilities of the committee explicitly include oversight of corporate social responsibility, sustainability, health and safety, and energy efficiency activities, regardless of the name of the committee. For example, a company with a "risk management committee" would be included in the category "Yes" if mentioned committee is responsible for managing sustainability risks.
Note 3: Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 4: The information provided in these tables was retrieved from Bloomberg, therefore, it may differ from the national statistics.
Source: Corporate Sustainability dataset, Bloomberg. See Annex for details.

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Notes

[1] The business judgement rule acts as a presumption that the board of directors acted in the best interest of the company unless plaintiffs can prove negligence or bad faith.

[2] Further, the Korean Code of the Best Practices Corporate Governance (article 2-3) requires that "Directors should not exercise their authority for their own benefit or that of a third party. They should pursue the best interest of the corporation and shareholders all the time".

[3] See the (Securities and Exchange Act (B.E. 2535, 1992[50]), Chapter 3/1, sections 89/7 to 89/9.

[4] There is substantive case law: *Intraco v Multi-Pak Singapore* [1995] 1 SLR 313; *ECRC Land Pte Ltd v Ho Wing on Christopher and Others* [2003] SGHC 298 at 49; *MacarthurCook Property Investment Pte Ltd and Another v Khai Wah Development Pte Ltd* [2007] SGHC 93; *Australian Property Group Pte Ltd v H.A. & Chung Partnership and others* [2015] SGHC 147 at 51. This is summarised in: (Gibson Dunn, 2021[51]).

[5] Korea Social Enterprise Promotion Agency (Korea Social Enterprise Promotion Agency, 2023[54]).

[6] (Civil Act (No. 19098), 2022[13]; Commercial Act (No. 17362), 2020[12])

[7] This requirement only applies to social enterprises that are a company or limited partnership under the Commercial Act: (Government of Korea, 2007[33]).
[8] The framework is established by the Law on Enterprises of Viet Nam 2020 and the Decree No. 47/2021, while the forms are specified in Circular No. 04/2016 (National Assembly of Viet Nam, 2020[26]; The Government of Vietnam, 2021[35]; Viet Nam Ministry of Planning and Investment, 2016[52]).
[9] See (Exemption for Share Offering of Social Enterprise Being a Limited Company in General Case or to the General Public (No. Tor Jor. 1/2563), 2020[53]) from the Capital Market Supervisory Board.
[10] For instance, conflicts may arise between social entrepreneurs and investors; pro-social and for-profit investors; and social entrepreneurs and consumers/clients/intermediaries (Lim, 2022[36]).
[11] For example, in Korea, article 433 of the *Commercial Act 2020* specifies that the "articles of incorporation shall be amended by a resolution at a general meeting of shareholders", with article 434 specifying that such a resolution will "be adopted by the affirmative votes of at least two-thirds of the voting rights of the shareholders present at a general meeting of shareholders and of at least one-third of the total number of issued and outstanding shares" (Commercial Act (No. 17362), 2020[12]).
[12] Meaning that more than half of their total annual revenue must be earned as opposed to contributions or grants (or have a credible plan to work towards this if they are start-ups).

4 Shareholders

This chapter illustrates the increasing shareholder engagement focused on environmental issues in Asia. This engagement tends to take the form of direct dialogue with company management via a shareholders' meeting or, sometimes, through court action. The chapter also provides an overview of the commitments made by Asian jurisdictions to achieve carbon neutrality and/or net-zero GHG emissions, and the number of companies disclosing information on GHG emissions in the region.

In Asia, a significant number of jurisdictions have made commitments to achieve carbon neutrality and/or net-zero GHG emissions, aligning with both the Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development. With the increasing adoption of these commitments, regulators, and societies in general, have started taking actions in that direction. The transformation of the global economy towards a more sustainable model requires the corporate sector to implement significant changes. Therefore, shareholders and regulators are increasingly calling for enhanced engagement with companies on sustainability-related issues. There is a global recognition that shareholder engagement at the company level is crucial to achieve concrete actions to address sustainability-related issues, in particular climate change. The increasing number of environmental shareholder resolutions is evidence of such shareholder engagement activities. Often, these initiatives are the result of joint actions by domestic and foreign investors. Collaboration between domestic and foreign investors can be an effective strategy to demonstrate to companies that domestic and global agendas are aligned. Disclosure is key for shareholders to efficiently engage with companies and to influence and support the necessary business transformation of companies. In particular, disclosure on GHG emissions and reduction targets could hold companies accountable to shareholders and stakeholders on their actions and progress towards addressing climate-related issues. While there are differences between jurisdictions, Asian companies are generally lagging behind large parts of the world, such as Europe and the United States, with respect to disclosure of GHG emissions and reduction targets.

4.1. Shareholder engagement

There are a variety of ways that shareholders can engage with corporations to influence their decisions. The most common forms of engagements are direct dialogue with company management via a shareholder meeting, or through court action (OECD, 2022[1]). The G20/OECD Principles provide recommendations on the rights and equitable treatment of shareholders and highlight that "[s]hareholders' rights to influence the corporation centre on certain fundamental issues, such as the election of board members, or other means of influencing the composition of the board, amendments to the company's organic documents, approval of extraordinary transactions, and other basic issues as specified in company law and internal company statutes". The G20/OECD Principles also stress the rights of shareholders in terms of sustainability-related matters by recommending that corporate governance frameworks should "[a]llow for dialogue between a company, its shareholders and stakeholders to exchange views on sustainability matters as relevant for the company's business strategy and its assessment of what matters ought to be considered material" (OECD, 2023[2]).

Globally, evidence shows climate change is clearly a priority for shareholders in their engagement with companies (see also sections 4.1.1 and 4.1.2). There are many examples of investors around the world calling for companies to do more on sustainability, with engagement on climate change increasing in recent years. For example, management-supported resolutions that seek shareholders' approval of a company's climate transition plan or actions ("say-on-climate" votes) are emerging. As of 1 February 2022, 33 companies in the MSCI ESG Ratings coverage had held, or planned to hold, such a vote (MSCI, 2022[3]). In addition, in 2023, over 700 capital market entities were signatories to the Carbon Disclosure Project (CDP), which was established in 2000 and encourages companies to disclose their climate impact (CDP, 2023[4]). More broadly, in a 2021 survey of citizens covering 17 advanced economies across Asia-Pacific, Europe and North America, 80% of respondents indicated that they would be willing to make some changes in the way they work and live to mitigate the impacts of climate change (Pew Research Centre, 2021[5]).

The number of Asian companies and jurisdictions with net-zero commitments is also increasing (Climate Action 100+, 2022[6])). However, Asian jurisdictions still generally lag behind when it comes to disclosure of GHG emissions. At the end of 2021, companies representing 72% of the world's total market capitalisation and 12.5% of the number of listed companies publicly disclosed information on their scope 1 and 2 GHG emissions, significantly higher than the number in Asia, where 7.6% of listed companies representing 53% of total market capitalisation disclose the same information. In addition, companies representing almost two-thirds of the global market capitalisation disclose their GHG emissions reduction targets, compared to around one-third of companies by market capitalisation in Asia (see section 4.2 for further details).

Therefore, an important factor going forward in the transition to net-zero will be whether the increase in shareholder engagement on sustainability issues in recent years, both globally and in Asia, continues. Direct shareholder engagement with company management has been an important mechanism to drive climate-positive change by companies. There are many ways that shareholders and management can engage in direct dialogue, including on sustainability-related issues, ranging from confidential correspondence and meetings to public letters (OECD, 2023[7]). Shareholders may engage individually, or they may coordinate their efforts with other shareholders and stakeholders. In this respect, evidence shows that the assets under management invested in funds that employ shareholder power to influence corporate behaviour are estimated to be about 30% (USD 10.5 trillion) of the USD 35.9 trillion reported total sustainable investing amount in 2020 (GSIA, 2020[8]). Another example of collaboration is the establishment of investor networks, including those that operate in Asia, which have regionally focused working groups to ensure that engagement is effective in specific markets.

4.1.1. Engagement related to shareholder meetings

There are a range of actions that can be taken in shareholders' meetings, including resolutions requiring a change in corporate policy, changing the composition of the board or even altering a company's articles of association. Globally, there were 146 environmental shareholder resolutions voted on in 2022, representing a 22% increase compared to 2021. Around 55% of these proposals mentioned climate-related policies, strategies, targets and/or reporting (Insightia, 2022[9]). There are also indications of an increase in the number of such resolutions in Asia (ClientEarth, 2022[10]; Insightia, 2023[11]).

Shareholder resolutions are effective in influencing companies, even if they do not receive the required level of support for the resolution to be passed, or even if the vote is non-binding on the board. For example, globally, BlackRock's 2021 Global Principles and Market-level Voting Guidelines indicate that for shareholder resolutions that received 30-50% support, companies then fully or partially implemented the substance of the proposal for 67% of the resolutions. Where shareholder resolutions received more than 50% support, companies later fully implemented the proposal for 94% of the resolutions. BlackRock has also reported that where they consider that companies need to act with greater urgency on climate-related issues, their "most frequent course of action will be to hold directors accountable by voting against their re-election" (BlackRock, 2020[12]).

Shareholder resolutions related to climate are becoming more common in Asia. For example, the first climate-related shareholder resolution for a Japanese company was filed in 2020 and such resolutions have been on the rise in recent years (3 in 2021 and 12 in 2022), where the proponents were environmental organisations, international institutional investors and local governments (Glass Lewis, 2023[13]; Responsible Investor, 2020[14]; Insightia, 2023[11]). Another example is a resolution filed in 2021 at HSBC Bank, which is listed in London and Hong Kong (China). The resolution, which was withdrawn when HSBC put forward an alternative resolution, was for the bank to publish targets to reduce its exposure to fossil fuels (HSBC, 2021[15]). Similarly, there has been an increase in Korea, with the first environmental shareholder resolution in 2022, leading to environmental resolutions at 12 companies that year (Insightia, 2023[11]).

Survey evidence shows that in the Asia-Pacific region,[1] support for ESG shareholder resolutions is lower, at 10% for environmental proposals (69 total) and 16.7% for social proposals (16 total), compared to 82.7% for governance proposals (83 total) in 2021-22 (Insightia, 2022[9]).

There are various resources available to encourage and support shareholder resolutions in Asia.[2] For instance, there is a Climate Earth guide for institutional investors "considering shareholder resolutions as a complement to other stewardship options when engaging with companies on climate-related matters". The guide provides analysis on the framework for shareholder climate resolutions in China, Hong Kong (China), India, Indonesia, Japan, Korea, Malaysia, the Philippines, Singapore, Thailand and Viet Nam. In all of these jurisdictions, shareholder climate resolutions can be proposed, however the process and requirements to do this vary (ClientEarth, 2022[10]).

The Climate Earth guide for institutional investors highlights that the legal framework varies across Asian jurisdictions and there are key differences. Firstly, the scope of the types of matters on which shareholders can generally bring resolutions varies across Asian jurisdictions. For example, in Indonesia, Malaysia and Singapore the scope of matters is wider and shareholder climate resolutions are not precluded. Secondly, there may be circumstances where the articles of association need to be amended to give effect to a shareholder climate resolution or the resolution could be to amend the articles of association to add a climate target. For example, in India and the Philippines, climate resolutions are generally not in scope for shareholders to file a resolution on, instead the company's articles of association may need to be amended to expressly permit such resolutions. Thirdly, certain forms of meetings (e.g. annual general meeting (AGM) or extraordinary general meeting (EGM)) may be more appropriate for shareholders to bring climate resolutions, and this will vary across Asian jurisdictions. For instance, in Viet Nam for joint stock companies, a general meeting of shareholders (GMS) is typically the appropriate meeting, which can either be in the form of an AGM or EGM. This includes for resolutions to change the articles of association if the matter does not already fall within the scope of matters that a GMS can decide (ClientEarth, 2022[10]).

In terms of the substance of climate-related resolutions, depending on whether the aim is to enhance governance or disclosure, they tend to oppose director appointments, auditor appointments or financial statements. For example, an activist investor gained support from institutional investors for a shareholder resolution that resulted in the election of three new directors with a climate focus on the board of ExxonMobil (NY Times, 2021[16]). The common categories of requests in shareholder climate resolutions include calls for: increased transparency and disclosure; setting a long-term net-zero goal; developing a Paris Agreement-aligned strategy or transition plan with interim and long-term goals, and providing the opportunity for shareholder approval for these plans; future capital investment to align with emissions reduction targets; and disclosure of climate and energy policy advocacy and advertising (ClientEarth, 2022[10]).

Relatedly, Asian regulators are increasingly indicating that they support active ownership. For example, a number of jurisdictions have introduced stewardship codes to encourage investors to monitor the companies they invest in, which often aims to encourage investor engagement on a wide range of issues and how they exercise their vote. For instance, in **Korea**, a Stewardship Code was introduced in 2016, containing seven soft law principles for participating institutional investors to monitor investee companies and actively engage when issues are identified (KCGS, 2016[17]). Since the Code was introduced, there has been an increase in engagement, visible for instance through a rise in dissenting votes by institutional investor and letters to companies requesting them to improve governance (Chun, 2022[18]).

In **Japan**, the Stewardship Code, originally introduced in 2014 and revised in 2020, requires institutional investors to engage constructively, or have purposeful dialogues with investee companies to enhance the returns for clients, while taking into account medium- to long-term sustainability, including ESG factors, in line with their investment management strategies (FSA, 2020[19]). Analysis shows that the Code has influenced the voting activities of certain financial institutions and institutional investors (Tsukioka, 2020[20]). The Japanese Financial Services Agency has also noted that "[e]ngagement and exercise of voting rights play an important role as one of the investment methods that are used in conjunction with ESG integration. Many asset management firms recognize the significance of engagement in active investment […] and are working to improve corporate values while managing milestones". The outcomes of engagement and exercise of voting rights can include: deepening the understanding of investee companies by discussing their businesses and management strategies, as well as ESG-related business opportunities and risks and their responses; encouraging companies with deficiencies in their policies and practices relating to ESG to make changes; and providing feedback on voting rights and communicating expectations for the following year(s) (FSA, 2022[21]).

4.1.2. Court action

When engagement between shareholders and companies is insufficient to resolve issues, it may sometimes escalate to lawsuits. This includes disputes related to climate. Globally, there are 2 341 cases in the Sabin Center's climate change litigation database. Of these, 190 were filed in the last year (from June 2022 to May 2023) and the diversity of cases appears to be growing (Higham, 2023[22]). Climate-related court action is not as common in Asia as in other regions. In the database, there are 46 cases in Asia, covering China, India, Indonesia, Japan, Korea, Pakistan, the Philippines, Chinese Taipei and Thailand. The majority of these cases are brought by stakeholders against the government or the government against companies (Sabin Center, 2023[23]).

While it is usually shareholders who have standing to sue, there are possible grounds for stakeholders to bring a suit against a corporation or its managers. Some sustainability-related claims have taken a rights-based approach. For example, an investigation by the Commission on Human Rights of the Philippines found that 47 major fossil fuel companies should be held accountable to citizens for the human rights harms caused by climate change. The existing laws of the Philippines were considered by the Commission to provide possible civil and criminal grounds for future action against these companies (White & Case, 2021[24]).

4.2. Climate change risks and GHG emissions reduction

A significant amount of scientific research indicates that human activities have significantly driven the increase in greenhouse gas emissions, resulting in around 1.0ºC of global warming above pre-industrial levels (IPCC, 2021[25]). This global warming has also been proved to be related to an increasing occurrence of natural disasters. In response, the Paris Agreement was established to strengthen the global response to the threat of climate change by "holding the increase in the global average temperature to well below 2ºC above pre-industrial levels and to pursue efforts to limit the temperature increase to 1.5ºC above pre-industrial levels" (United Nations, 2015[26]). Specifically, to reach the goal of restricting the global temperature increase to 1.5ºC above pre-industrial levels, it is necessary that CO_2 emissions be reduced by around 45% from the 2010 level by 2030 and net-zero emissions will need to be achieved by around 2050 (IPCC, 2018[27]).

The net-zero transition requires concerted efforts from all countries. Of the 18 Asian jurisdictions surveyed in this report, 14 have already made commitments to achieving carbon neutrality[3] and/or net-zero GHG emissions[4], aligning with both the Paris Agreement on Climate Change and the United Nations 2030 Agenda for Sustainable Development. While the majority of jurisdictions have committed to achieving their goal by 2050, consistent with the timeline set in the Intergovernmental Panel on Climate Change (IPCC, 2018[27]), there are a few exceptions, including China, India and Indonesia, which have set their target year beyond 2050 (Table 4.1).

A key feature of the Paris Agreement is its iterative five-year cycle, designed to foster increasingly ambitious climate commitments. It also establishes the framework to communicate nationally determined contributions (NDCs) in which many jurisdictions have established intermediate targets as part of their climate agendas. These intermediate targets serve as milestones towards the long-term goal of achieving carbon neutrality and/or net-zero emissions. As shown in Table 4.1, almost all jurisdictions have set certain intermediate targets to reduce carbon emissions, or GHG emissions more broadly, by 2030. In addition, jurisdictions have also established objectives related to the development of renewable energy sources to enhance their decarbonisation efforts. For instance, China aims to reach over 1 200 GW of installed wind and solar power by 2030. However, despite all these NDC commitments and carbon neutrality pledges, national development plans still fall behind what is needed to achieve these objectives (ESCAP UN, 2022[28]).

Table 4.1. Asian jurisdictions' commitments related to climate change

Jurisdiction	Commitment area		
	GHG emissions	**Renewable energy**	**Net-zero / Carbon neutrality**
Bangladesh	To reduce GHG emissions by 5% by 2030, and a further 10% conditional[1] reduction	To increase the share of renewables in power generation to 10% by 2041	No commitment
Cambodia	To reduce GHG emissions by 42% by 2030	To increase the share of renewable energy resources in the energy mix to 25% by 2030 from the 2020 level	Carbon neutrality by 2050
China	To reduce carbon intensity of GDP by over 65% in 2030 compared to the 2005 level	To reach over 1 200 GW installed wind and solar power by 2030	Carbon neutrality by 2060
Hong Kong (China)	To reduce carbon emissions by 50% in 2035 compared to the 2005 levels	To increase the share of renewable energy resources to 7.5-10% of total electricity generation by 2035, and to 15% by 2050	Carbon neutrality by 2050
India	To reduce the emissions intensity of its GDP by 45% by 2030 from 2005 levels	To increase renewable energy sources to 50% of its electricity requirements by 2030	Net-zero GHG emissions by 2070
Indonesia	To reduce 31.89% of GHG emissions by 2030, and a further 43.2% conditionally[1]	To achieve an energy mix of new and renewable sources of energy to at least 23% by 2025 and 31% by 2050	Net-zero GHG emissions by 2060 or sooner
Japan	To reduce its GHG emissions by 46% in 2030 from 2013 levels	To increase renewable power generation target to 36-38% of the total power generation mix by 2030	Carbon neutrality by 2050
Korea	To reduce GHG emissions by 40% by 2030 from 2018 levels	To increase renewables to at least 21.6% of total electricity generation in 2030	Carbon neutrality by 2050
Lao PDR	To reduce GHG emissions by 60% by 2030 and further conditional[1] targets	To increase renewable energy capacity to 1 GW solar and wind power and 300 MW biomass power capacity by 2030	Net-zero GHG emissions by 2050
Malaysia	To reduce 45% of economy-wide carbon intensity[5] by 2030 from 2005 level	To increase the total installed capacity of renewable energy to 31% by 2025 and 40% by 2035	Net-zero GHG emissions by 2050
Mongolia	To reduce GHG emissions to 22.7%, and a further 4.5% conditional[1] reduction by 2030 from 2010 levels	To reach 20% renewable energy installed capacity by 2023 and 30% by 2030	No commitment
Pakistan	To reduce GHG emissions by 35% by 2030, and a further 15% conditionally,[1] from 2015 levels	For 60% of all energy produced to be generated from renewable energy resources by 2030	No commitment

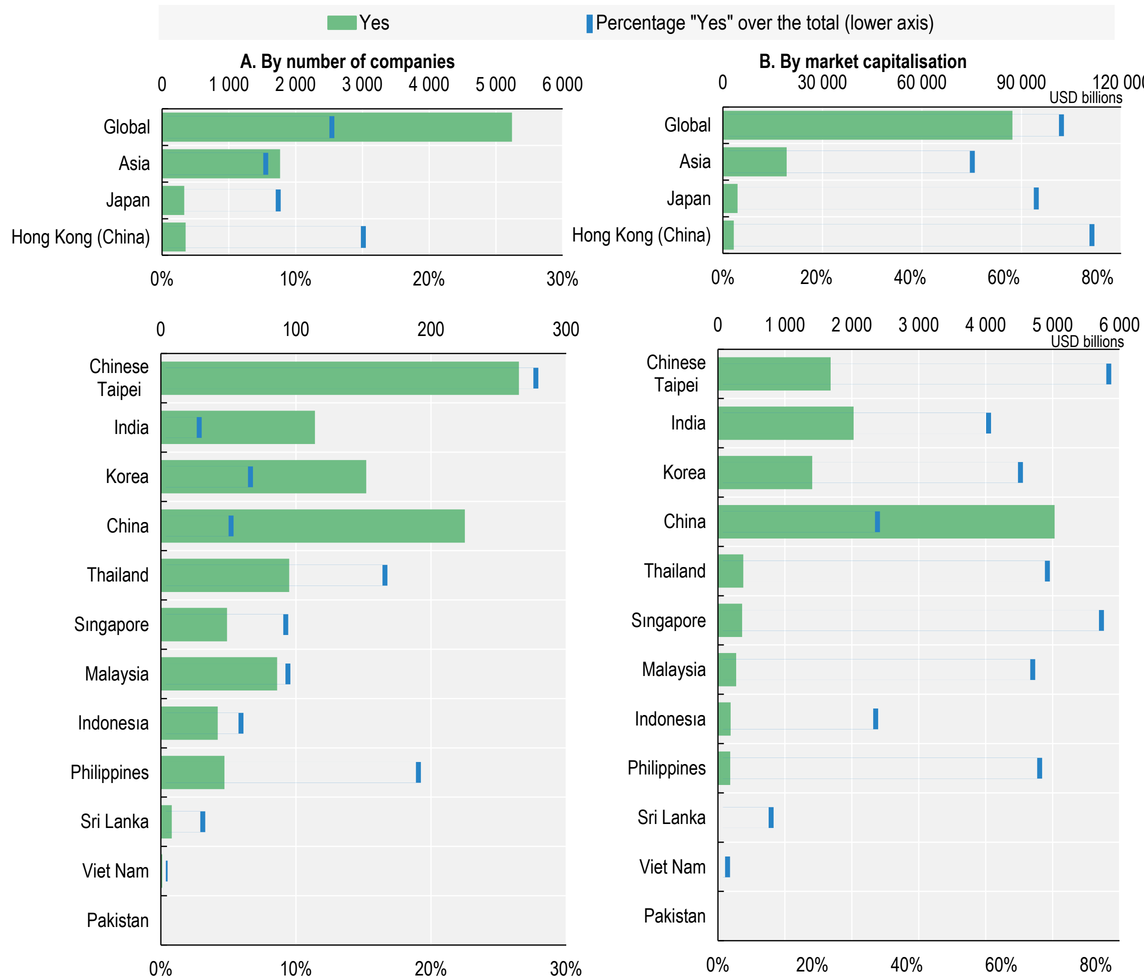
Jurisdiction	Commitment area		
	GHG emissions	Renewable energy	Net-zero / Carbon neutrality
Philippines	To reduce GHG emissions by 2.71%, and a further 72.29% conditionally[1] by 2030, from 2011 levels	To increase the share of renewable energy in the total power generation mix to 35% by 2030 and 50% by 2040	No commitment
Singapore	To reduce emissions to around 60 $MtCO_2e$ by 2030	To deploy at least 2 GWp of solar power by 2030 and launch a hydrogen strategy	Net-zero GHG emissions by 2050
Chinese Taipei	To reduce GHG emissions by 23-25% by 2030 compared to the 2005 level	To increase renewable energy to 27-30% of total power generation by 2030	Net-zero GHG emissions by 2050[2]
Thailand	To reduce GHG emissions by 30-40% by 2030 compared to the business-as-usual scenario	To increase renewable energy to 30% in the energy mix by 2036	Carbon neutrality by 2050 and net-zero GHG emission by 2065
Sri Lanka	To reduce GHG emissions by 4% and a further 10.5% conditionally[1] by 2030	To achieve 70% renewable energy in electricity generation by 2030	Carbon neutrality in electricity generation by 2050
Viet Nam	To reduce GHG emissions by 15.8% and a further 27.7% conditionally[1] by 2030 compared to the business-as-usual scenario	To increase the utilisation rate of renewable energy from about 7% in 2020 to more than 10% in 2030	Net-zero GHG emissions by 2050

Notes:
[1] Conditional contributions are based on the jurisdiction receiving funding for the actions to meet these targets.
[2] Chinese Taipei has established a target even without being a signatory of the Paris Agreement.
Source: See Annex C of this report for relevant sources by jurisdiction.

The measurement and disclosure of corporate GHG emissions (and reductions) is central to understanding a company's contribution to climate change, as well as its progress towards potential emissions reduction targets. In addition, given that a significant share of companies, measured by global market capitalisation, are exposed to financially material risks related to climate change (see Figure 1.4), there is widespread investor interest in such disclosure. Particularly, this information is essential for shareholders to efficiently engage with companies and to influence and support the necessary business transformation of companies. Regulators and international standard-setting bodies have responded accordingly, with GHG emissions representing an essential part of sustainability disclosure standards outlined in Table 2.2.

GHG emissions are divided into three different scopes. Scope 1 covers direct emissions, scope 2 refers to indirect emissions such as purchased and consumed energy, and scope 3, the broadest category, covers indirect emissions through a company's value chain. The ISSB will require disclosure on all three scopes in its standards (IFRS, 2022[29]). Figure 4.1 shows the share of listed companies disclosing information on scope 1 and 2 emissions at the end of 2021. Globally, 5 239 companies representing 72% of the global market capitalisation publicly disclosed this information. This is a significantly higher share than in Asia, where it is only 53% (1 766 companies). However, the share differs substantially between jurisdictions, ranging from 82% in Chinese Taipei to 0% in Pakistan. The median share by market capitalisation in the Asian jurisdictions displayed below is 65%.

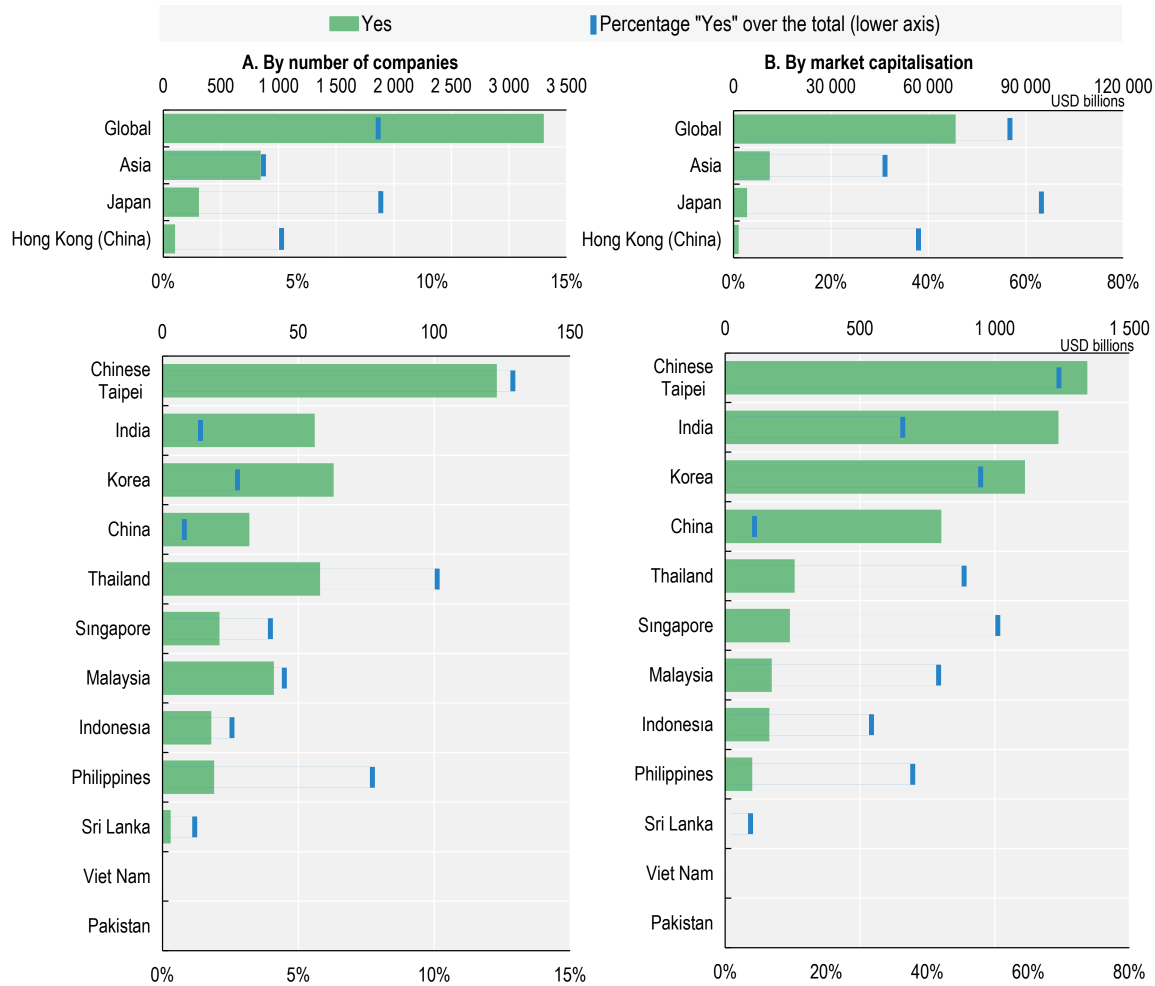
Figure 4.1. Disclosure of Scope 1 & 2 GHG emissions by listed companies, end-2021



Note 1: The "total" in "percentage of 'Yes' over the total" includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2: Only the companies that reported both scope 1 and scope 2 emissions are counted in the analysis.
Note 3: Asian data on sustainability do not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 4: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Scope 3 is by far the most wide-spread measure and makes up the majority of emissions in most industries. While there are naturally significant sectoral differences, it is estimated that scope 3 emissions account for 75% of total emissions on average across industries (CDP, 2023[30]). As it refers to indirect emissions, scope 3 is also the most difficult to measure. This is reflected in the share of companies disclosing these emissions. As shown in Figure 4.2, only 3 303 companies globally and 846 in Asia, (representing 56% and 31% of total respective market capitalisation) disclosed scope 3 emissions at the end of 2021. That is markedly lower than the disclosure of the more easily estimated scope 1 and 2 emissions. Similar to the disclosure of scopes 1 and 2, Chinese Taipei is the Asian jurisdiction with the highest share of companies disclosing scope 3 emissions at 66% of total market capitalisation, followed by Japan (63%), Singapore (53%) and Korea (50%). Recognising the complexity of estimating scope 3 emissions, the ISSB will develop relief provisions as part of its disclosure requirements to help corporations apply them, including possible safe harbour provisions to limit liability related to such disclosure (IFRS, 2022[29]).

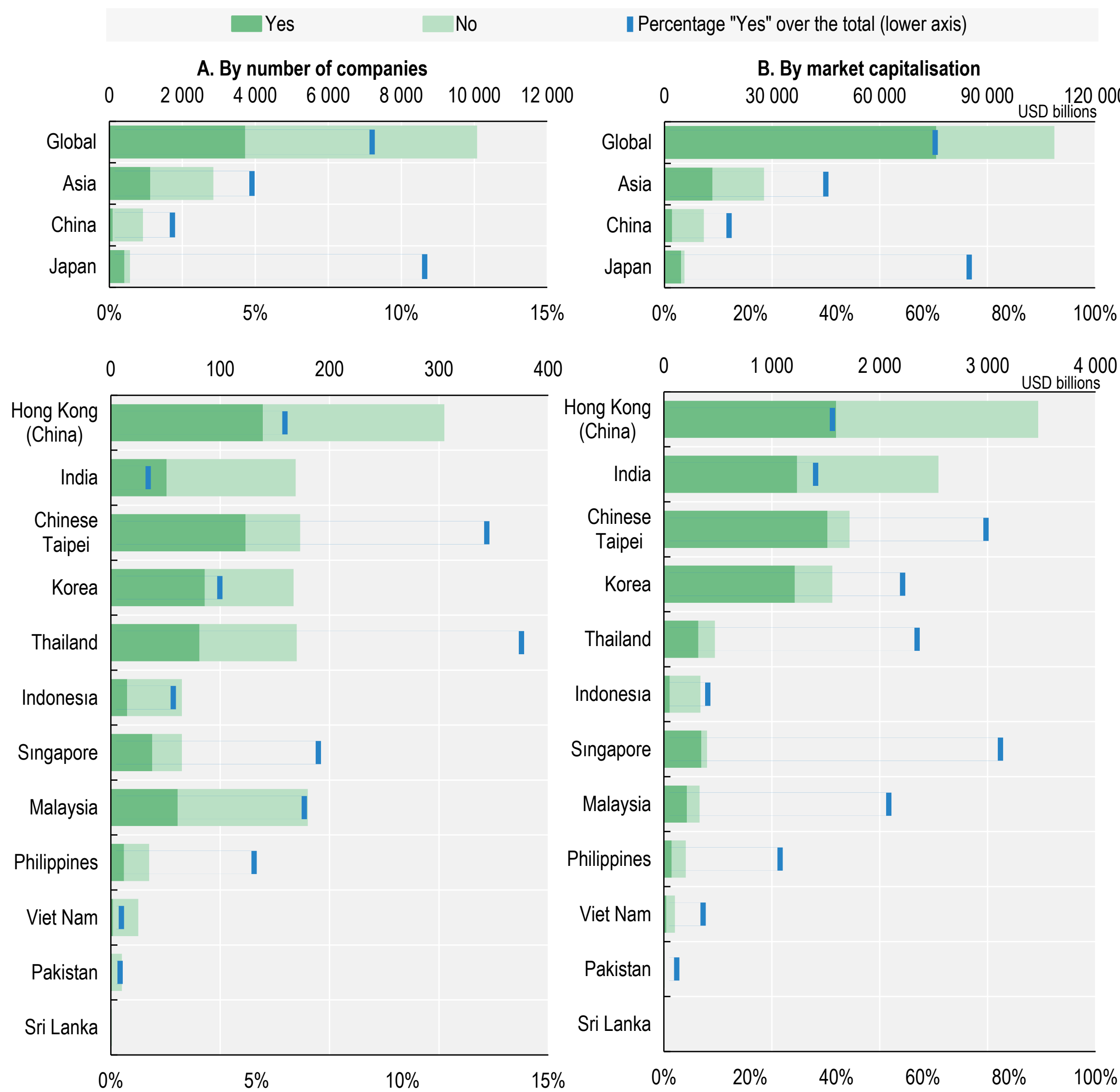
Figure 4.2. Disclosure of Scope 3 GHG emissions by listed companies, end-2021



Note 1: The "total" in "percentage of 'Yes' over the total" includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2*:* Asian data on sustainability does not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 3: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

Around the world, almost 4 000 listed companies disclose their GHG emission reduction targets. As these companies are generally larger, they represent almost two-thirds of the world's market capitalisation. This share is significantly higher than in Asia, where only 37% of companies by market capitalisation (1 118 companies) declare their GHG emissions reduction targets. However, there are significant differences across jurisdictions. While over 70% of listed companies by market capitalisation disclose their target in Japan, Singapore and Chinese Taipei, the figure is less than 10% in Indonesia, Viet Nam, Pakistan and Sri Lanka.

Figure 4.3. Disclosure of GHG emissions reduction targets by listed companies, end-2021



Note 1: The "total" in "percentage of 'Yes' over the total" includes all listed companies within each category, including those for which there is no available information. For instance, in the case of the global category, the percentage is calculated over 41 802 worldwide listed companies, while in Asia the percentage is calculated over 23 304 companies.
Note 2: Asian data on sustainability do not include relevant information about Bangladesh, Cambodia, Lao PDR and Mongolia.
Note 3: The information provided in these tables was retrieved from LSEG and Bloomberg, therefore, it may differ from the national statistics.
Source: OECD Corporate Sustainability dataset, LSEG, Bloomberg. See Annex for details.

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Notes

[1] Data is from Asia-Pacific-based companies in the 2021-22 proxy season.

[2] Shareholder “climate resolutions” has been “understood as shareholder-filed resolutions which concern a company’s governance, disclosure or business strategy on climate change and which can complement other stewardship options” (ClientEarth, 2022[10]).
[3] Carbon neutral means that the amount of CO_2 released into the atmosphere by a company's activities is offset by removing an equivalent amount of CO_2 from the atmosphere.
[4] Net-zero GHG emissions refers that from a company’s activities eliminates any GHG emissions.
[5] Carbon intensity refers to greenhouse gas emissions intensity from seven gasses, namely carbon dioxide (CO_2), methane (CH_4), nitrous oxide (N_2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF_6) and nitrogen trifluoride (NF_3).

Annex A. Methodology for data collection and classification

In this report, Asia as a region includes the following 18 jurisdictions: Bangladesh, Cambodia, China, Hong Kong (China), India, Indonesia, Japan, Korea, Lao PDR, Malaysia, Mongolia, Pakistan, the Philippines, Singapore, Sri Lanka, Chinese Taipei, Thailand and Viet Nam. The report follows the IMF classification of *advanced economies* and *emerging and developing economies*. Advanced Asian economies include Hong Kong (China), Japan, Korea, Singapore and Chinese Taipei, while emerging and developing Asian economies include Bangladesh, Cambodia, China, India, Indonesia, Lao PDR, Malaysia, Mongolia, Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam.

A. Listed companies

The information presented in Section 1.1 of Chapter 1 is from LSEG. The dataset contains information for listed companies as of the end of 2022.

Cleaning process

The raw financial dataset contains all security observations listed on each stock exchange. The following cleaning steps are applied:

- Firms listed on an over-the-counter (OTC) market are excluded
- Firms listed on a multilateral trading facility (MTF) are excluded
- Security types classified as “units” and “trust” are excluded
- Security types identified as “REITs” and “investment funds” are excluded
- Firms identified as delisted are excluded
- For firms with multiple observations but different countries of domicile, their true country of domicile is manually checked to remove duplicate observations
- For firms listed on several stock exchanges, only the primary listing is kept

Industry classification

The industry analysis is based on the LSEG Business Classification. The economic sectors used in the analysis are the following:

LSEG Economic Sector	
Basic materials	Industrials
Cyclical consumer	Consumer non-cyclical
Energy	Technology
Financials	Real estate
Healthcare	Utilities

B. Ownership data

The main source of information is the FactSet Ownership database. This dataset covers companies with a market capitalisation of more than USD 50 million and accounts for all positions equal to or larger than 0.1% of the issued shares. Data are collected as of March 2023 in current USD, thus no currency nor inflation adjustment is needed. The data are complemented and verified using LSEG and Bloomberg. Market capitalisation information for each company is collected from LSEG. The dataset includes the records of owners for 30 871 companies listed on 92 markets covering 98% of global market capitalisation. For each of the economies/regions presented, the information corresponds to all listed companies in those economies/regions with available information.

The information for all the owners reported as of the end of 2022 is collected for each company. Some companies have up to 5 000 records in their list of owners. Each record contains the name of the institution, the percentage of outstanding shares owned, the investor type classification, the origin country of the investor, the ultimate parent's name, among other things.

The table below presents the definitions of the five categories of owners used in this report. In many cases, when the ultimate owner is identified as a Government, a Province or a City and the direct owner was not identified as such, ownership records are reclassified as public sector. For example, public pension funds that are regulated under public sector law are classified as government, and sovereign wealth funds (SWFs) are also included in that same category.

Investor category	Categories of owners	
	Investor type	
Private corporations and holding companies	Business Association	Operating Division
	Employee Stock Ownership Plan	Private Company
	Holding Company	Public Company
	Joint Venture	Subsidiary
	Non-profit organisation	
Public sector	Government	Regional Governments
	Sovereign Wealth Manager	Public Pension Funds
Strategic individuals and family members	Individual (Strategic Owners)	Family Office
Institutional investors	Bank Investment Division	Mutual Fund Manager
	Broker	Other
	College/University	Pension Fund
	Foundation/Endowment Manager	Pension Fund Manager
	Fund of Funds Manager	Private Banking/Wealth Management
	Fund of Hedge Funds Manager	Private Equity Fund/Alternative Inv.
	Hedge Fund	Real Estate Manager
	Hedge Fund Manager	Research Firm
	Insurance Company	Stock Borrowing/Lending
	Investment Adviser	Trust/Trustee
	Market Maker	Umbrella Fund
	Mutual Fund-Closed End	Venture Capital/Private Equity
Other free-float including retail investors	Shares in the hands of investors that are not required to disclose their holdings. It includes the direct holdings of retail investors who are not required to disclose their ownership and institutional investors that did not exceed the required thresholds for public disclosure of their holdings.	

C. Corporate sustainability data

This firm-level dataset contains records for up to 13 800 listed companies with a total of USD 113 trillion market capitalisation listed on 83 markets in 2021, although the coverage may vary depending on the selected issue. The main data sources, LSEG and Bloomberg, were controlled against each other to ensure consistency. The disclosed data contains information on sustainability reporting and the used accounting standards, the external assurance of sustainability reporting, the presence of a sustainability committee reporting directly to the board, GHG emission reduction targets, and executive remuneration linked to sustainability factors and targets. Sustainability disclosure by trusts, funds or special purpose acquisition companies was excluded from the sample under analysis.

D. Sustainable corporate bonds data

Green, social, sustainability and sustainability-linked bonds are mainly collected from LSEG and Bloomberg. This dataset contains deal-level information on more than 7 000 bonds issued by both financial and non-financial companies from 73 countries between 2013 to 2022. The dataset contains a detailed set of information for each sustainable bond issue, including the identity, nationality and industry of the issuer; the type, interest rate structure, maturity date and rating category of the bond, the amount and use of proceeds obtained from the issue. The issuance amounts, initially collected in USD, are adjusted by 2022 US Consumer Price Index (CPI). The different data sources are checked against each other to ensure consistency and the bonds are classified into four different categories: green bonds, social bonds, sustainability bonds and sustainability-linked bonds. Sustainable bonds issued by agencies, governments, treasuries, central banks, universities or other supra-national entities are excluded from this analysis.

E. MSCI data

The MSCI data has been retrieved from the equity index constituents disclosed by MSCI, and the data has been updated as of March 1, 2023. This dataset contains the security name and their weight in each index. For each security in the equity index, the relevant information regarding industry and market capitalisation is collected from LSEG. REITS and investment funds are excluded from the indices.

F. Sustainability Accounting Standards Board Materiality Map

The information on market capitalisation exposed to selected sustainability issues uses the Sustainability Accounting Standards Board (SASB)'s Materiality Map (© 2023 IFRS Foundation. All Rights Reserved.). The materiality map has 26 general sustainability issues that are most likely to materially impact the financial condition or operating performance of companies across 77 industries. Using this materiality map, the SASB Sustainable Industry Classification System (SICS) Taxonomy (© 2023 IFRS Foundation. All Rights Reserved.) creates a company-level dataset classifying companies according to financially material sustainability issues that they are facing. Figures provided in Section 1.2 of the report benefits from this information. By combining this information with the relevant market capitalisation of these companies, the figures summarise the market capitalisation of selected sustainability issues by regions and jurisdictions exposed to different issues. The Organisation for Economic Co-operation and Development (OECD) licenses the SASB Standards Disclosure Topics.

Annex B. Source for legal frameworks on the responsibilities of boards

Jurisdiction	Source
Bangladesh	Government of Bangladesh (1994), Companies Act (No. 18 of 1994), http://bdlaws.minlaw.gov.bd/act-788.html Corporate Governance Code 2018: Bangladesh Securities and Exchange Commission (2020), Corporate Governance Guidelines, https://sec.gov.bd/crequest/Draft_Corporate_Governance_Guidelines_21.12.2017.pdf
Cambodia	Securities and Exchange Commission of Cambodia (2018), "Prakas on Corporate Governance for the Listed Companies", https://www.serc.gov.kh/boards/data_dir/m23Prakas/100043.pdf Cambodia (2022), Law on Commercial Enterprises, https://cdc.gov.kh/wp-content/uploads/2022/04/Law-on-Commercial-Enterprises_English_050517.pdf
China	Government of China (2018), Company Law of the People's Republic of China http://www.npc.gov.cn/zgrdw/npc/xinwen/2018-11/05/content_2065671.htm
Hong Kong (China)	Department of Justice (2014), Companies Ordinance (Cap. 622), https://www.elegislation.gov.hk/hk/cap622 Hong Kong Stock Exchange (HKEx), Listing Rules, https://en-rules.hkex.com.hk/rulebook/main-board-listing-rules
India	Government of India, Companies Act 2013, https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf
Indonesia	Government of Indonesia (2007), Law on Limited Liability Company International Finance Corporation and Otoritas Jasa Keuangan (OJK) (2018), The Indonesia Corporate Governance Manual, Second Edition, https://elibrary.worldbank.org/doi/pdf/10.1596/30122
Japan	Government of Japan (2005), Companies Act (No. 86 of 2005), https://www.japaneselawtranslation.go.jp/en/laws/view/3206/en Government of Japan (1896), Companies Act (No. 89 of 19865), https://www.japaneselawtranslation.go.jp/en/laws/view/4314#je_pt3ch2sc10at5 Government of Japan (2006), Financial Instruments and Exchange Act, https://www.japaneselawtranslation.go.jp/en/laws/view/2355/en Financial Services Agency of Japan and Tokyo Stock Exchange Corporate Governance Code and Stewardship Code (2021), https://www.jpx.co.jp/english/news/1020/20210611-01.html
Korea	Korea (2020), Commercial Act (No. 17362), https://elaw.klri.re.kr/kor_service/lawView.do?hseq=54525&lang=ENG
Lao PDR	Lao People's Democratic Republic (2013), Enterprise Law (No. 46/NA), dated 26 December 2013, http://lsp.moic.gov.la/index.php?r=site%2Fdisplaylegal&id=115#129 Lao People's Democratic Republic (2019), Law on Securities, dated 3 December 2019, http://www.lsc.gov.la/Doc_legal/Law%20on%20Securities%20Eng_edited_2019_d29.pdf Lao People's Democratic Republic (2023), Securities Exchange Regulations, http://www.lsx.com.la/rules/regulations/listPosts.do Lao People's Democratic Republic (2019), Securities Commission, Decision on Board of Directors, dated 26 April 2019,
Malaysia	Government of Malaysia (2016), Companies Act 2016 (Act 777),

Jurisdiction	Source
Mongolia	Government of Mongolia (2020), Law on Company, http://www.frc.mn/resource/frc/Document/2020/09/01/4uupffsbdbdow2fj/2020.09.01%20Law%20on%20Company.pdf Government of Mongolia (2022), Financial Regulatory Commission, Code of Corporate Governance https://track.unodc.org/uploads/documents/BRI-legal-resources/Mongolia/8_-Corporate_governance_code.pdf Mongolian Stock Exchange (2022), Regulation on Information for Public Disclosure by Issuer,
Pakistan	Government of Pakistan, Companies Act (2017), https://www.secp.gov.pk/laws/acts/ Securities and Exchange Commission of Pakistan (2019), Listed Companies (Code of Corporate Governance) Regulations 2017, https://www.secp.gov.pk/document/listed-companies-corporate-governance-regulations-2017/ Securities and Exchange Commission of Pakistan (2016), Principles of Corporate Governance for Non-Listed Companies: https://www.secp.gov.pk/document/principles-of-corporate-governance/
Philippines	Government of the Philippines (2019), Revised Corporation Code of the Philippines (RA No. 11232), The Securities and Exchange Commission Philippines (2016), SEC Memorandum Circular No. 19, Series of 2016, https://www.sec.gov.ph/mc-2016/mc-no-19-s-2016/#gsc.tab=0
Singapore	Government of Singapore (2020), Singapore Companies Act 1967, https://sso.agc.gov.sg/Act/CoA1967 Government of Singapore (2020), Singapore Securities and Futures Act 2001, https://sso.agc.gov.sg/act/sfa2001#al- Monetary Authority of Singapore and Singapore Exchange (2023), Code of Corporate Governance and Practice Guidance Singapore Exchange (2023), Listing Rulebooks, https://rulebook.sgx.com/rulebook/sgx-rulebooks
Chinese Taipei	Ministry of Economic Affairs (2021), Company Act, https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=J0080001
Thailand	The Securities and Exchange Commission of Thailand (2017), Corporate Governance Code , https://www.sec.or.th/cgthailand/EN/Pages/CGCODE/CGCODEINDEX.aspx The Securities and Exchange Act B.E. 2535 (1992) https://www.sec.or.th/cgthailand/EN/Documents/Regulation/SECAct_amend_index.pdf
Sri Lanka	Sri Lanka (2007), Companies Act No 07 of 2007, http://www.cmathew.com/resources/downloads/sri_lanka_company_act7_of_2007.pdf Institute of Chartered Accountants of Sri Lanka (2018), Code of Best Practice on Corporate Governance 2017
Viet Nam	State Securities Commission of Viet Nam (2019), Viet Nam Corporate Governance Code of Best Practices, https://www.ecgi.global/node/7738 Viet Nam (2007), Circular No 116/2020/TT-BTC: Guidelines for Implementation of Some Articles on Administration of Public Companies in the Government's Decree No 155/2020/ND-CP dated December 31,2020 Elaborating Some Articles of the Law on Securities. Viet Nam (2020), Law on Enterprises, https://thuvienphapluat.vn/van-ban/EN/Doanh-nghiep/Law-59-2020-QH14-Enterprises/451799/tieng-anh.aspx

Annex C. Source for climate change related commitments

Jurisdiction	Source
Bangladesh	Ministry of Environment, Forest, and Climate Change of Bangladesh, Nationally determined contribution of 26 August 2021 Ministry of Power, Energy, & Mineral Resources of Bangladesh (2018), Revisiting Power System Master Plan (PSMP) 2016
Cambodia	Cambodia (2020), The General Secretariat of the National Council for Sustainable Development/Ministry of Environment, https://unfccc.int/sites/default/files/NDC/2022-06/20201231_NDC_Update_Cambodia.pdf Ministry of Environment of Cambodia (2021), Long-Term Strategy for Carbon Neutrality, https://unfccc.int/sites/default/files/resource/KHM_LTS_Dec2021.pdf
China	State Council (2021), "Action Plan for Carbon Dioxide Peaking Before 2030", http://www.gov.cn/zhengce/content/2021-10/26/content_5644984.htm State Council (2021), "Opinions of the Central Committee of the Communist Party of China (CPC) and the State Council on the complete and accurate implementation of the new development concept and the proper implementation of carbon peaking and carbon neutral work", http://www.gov.cn/zhengce/2021-10/24/content_5644613.htm
Hong Kong (China)	Environment Bureau (2021), "Hong Kong's climate action plan 2050", https://www.climateready.gov.hk/files/pdf/CAP2050_4_en.pdf
India	Government of India (2022), "India's Updated First Nationally Determined Contribution Under Paris Agreement", https://unfccc.int/sites/default/files/NDC/2022-08/India%20Updated%20First%20Nationally%20Determined%20Contrib.pdf Government of India (2022), "Renewable Energy in India", https://pib.gov.in/FeaturesDeatils.aspx?NoteId=151141&ModuleId%20=%202 IEA (2022), "India's clean energy transition is rapidly underway, benefiting the entire world", https://www.iea.org/commentaries/india-s-clean-energy-transition-is-rapidly-underway-benefiting-the-entire-world.
Indonesia	Indonesia (2022), Enhanced Nationally Determined Contribution, https://unfccc.int/sites/default/files/NDC/2022-09/23.09.2022_Enhanced%20NDC%20Indonesia.pdf
Japan	Government of Japan (2021), Ministry of the Environment, Nationally Defined Contribution, https://unfccc.int/sites/default/files/NDC/2022-06/JAPAN_FIRST%20NDC%20%28UPDATED%20SUBMISSION%29.pdf Government of Japan (2021), Ministry of Economy, Trade and Industry, Outline of Strategic Energy Plan, https://www.enecho.meti.go.jp/en/category/others/basic_plan/pdf/6th_outline.pdf
Korea	Ministry of Foreign Affairs (2021), Update of First Nationally Determined Contribution IEA (2023), "Korea Electricity Security Policy", https://www.iea.org/articles/korea-electricity-security-policy
Lao PDR	Lao People's Democratic Republic (2021), Nationally determined contribution of 9 March 2021 United Nations (2022), Energy Transition Pathways for the 2030 Agenda SDG 7 Roadmap for the Lao People's Democratic Republic, https://www.unescap.org/sites/default/d8files/knowledge-products/SDG7%20road%20map%20Lao%20PDR.pdf;
Malaysia	Government of Malaysia (2021), Updated Nationally Determined Contribution. Sustainable Energy Development Authority of Malaysia (2021), Malaysia Renewable Energy Roadmap, https://www.seda.gov.my/reportal/myrer/ Minister of Economy of Malaysia (2021), Twelfth Malaysia Plan 2021-2025, https://rmke12.epu.gov.my/en
Mongolia	Government of Mongolia (2020), Nationally determined contribution of 13 October 2020

Jurisdiction	Source
	Government of Mongolia (2015), Investment Plan for Scaling-up Renewable Energy in Mongolia: https://www.cif.org/sites/cif_enc/files/srep_ip_mongolia_final_14_dec_2015-latest.pdf Partnership on Transparency in the Paris Agreement (2020), Mongolia's Private Sector Led Renewable Energy Programme, https://transparency-partnership.net/gpd/mongolias-private-sector-led-renewable-energy-programme
Pakistan	Government of Pakistan (2021), Nationally determined contribution of 21 October 2021
Philippines	The Philippines (2021), Nationally determined contribution of 5 April 2021 The Philippines (2021), Department of Energy and National Renewable Energy Board, National Renewable Energy Program 2020-2040
Singapore	Singapore Ministry of Foreign Affairs (2022), Climate Change, https://www.mfa.gov.sg/singapores-foreign-policy/International-Issues/Climate-Change Government of Singapore (2022), Nationally determined contribution of 4 November 2022 Government of Singapore (2022), Ministry of Finance, Singapore Energy Lecture by Deputy Prime Minister and Minister for Finance (2022), Singapore Energy Lecture by Deputy Prime Minister and Minister for Finance Lawrence Wong at The Singapore International Energy Week on 25 October 2022
Chinese Taipei	National Development Council (2022), "Stage goals and key strategies of net zero transformation", https://www.ndc.gov.tw/nc_14692_36476 Environmental Protection Administration (2023) "Climate Change Response Act", https://law.moj.gov.tw/ENG/LawClass/LawAll.aspx?pcode=O0020098 Ministry of Economic Affairs (2022) "The Ministry of Economic Affairs' net-zero key strategy to promote the green growth of industries and plan the vision of electricity ratio in 2030", www.moea.gov.tw/MNS/populace/news/News.aspx?kind=1&menu_id=40&news_id=104155 Update of Taiwan's Nationally Determined Contribution: https://www.epa.gov.tw/DisplayFile.aspx?FileID=C93E9FEA28815B0
Thailand	The National Energy Policy Council (2019), "Power Development Plan 2018-2037", https://www.thaienergy.org/assets/files/pdp2018-pdf.pdf Ministry of Natural Resources and Environment (2022), "Thailand's long-term low greenhouse gas emission development strategy", unfccc.int/sites/default/files/resource/Thailand08_Nov2022.pdf
Sri Lanka	Ministry of Environment of Sri Lanka (2021), "Updated Nationally Determined Contributions Under the Paris Agreement on Climate Change Sri Lanka", www.env.gov.lk/web/images/pdf/divisions/climate_change_division/publications/new/NDC_2021_-_English.pdf
Viet Nam	Viet Nam (2022), Nationally Determined Contribution, updated in 2022, https://unfccc.int/documents/622541 Decision Number 2068/QD-TTg of 25 November 2015, Approving Viet Nam's Renewable Energy Development Strategy up to 2030 with an outlook to 2050, https://policy.asiapacificenergy.org/node/3447

Corporate Governance

Sustainability Policies and Practices for Corporate Governance in Asia

This report provides an overview of the current sustainability disclosure policies and practices, the responsibilities of company boards and shareholder rights in Asia. The report also presents current trends in corporate sustainability globally and in Asia based on the OECD Corporate Sustainability dataset. Importantly, climate change is one of the most critical sustainability matters currently facing companies in most Asian jurisdictions where companies that account for two-thirds of total market capitalisation are experiencing climate change related financial risks.

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