

Only 1 in 4 of region's listed firms finds nature-related issues material

But Singapore firms do better with climate-related disclosures: Study

Sue-Ann Tan
Business Correspondent

Most top-listed companies in the Asia-Pacific region could identify topics like water, biodiversity and ecosystem protection in their sustainability or annual reports.

But only a quarter of them considered these issues material to their business, according to a new study conducted by global luxury group Kering and the Centre for Governance and Sustainability at NUS Business School.

The results of the study released on Jan 14 revealed that 72 per cent of some 700 listed companies from 11 industries in 14 markets discussed nature-related issues in their reports.

However, only 25 per cent of them found the issues material, in the sense that they prioritised nature as having significant impact on their operations, value creation and long-term sustainability, while considering their organisation's impact on nature.

In Singapore, only 14 per cent of the companies studied aligned with the Taskforce on Nature-related Financial Disclosures (TNFD).

Still, Singapore did much better with climate-related disclosures, with 98 per cent of the companies producing such reports that were



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Singapore also had the highest percentage of companies that disclosed locations of value chain operations in priority areas, at around 10 per cent. None of the assessed companies in India, Indonesia, Japan, Malaysia and South Korea provided such disclosures.

Priority areas are locations that are important for biodiversity, have high physical water risks or show a rapid decline in ecosystem, among other factors defined by the TNFD standards.

Singapore also came out tops in

the number of companies that integrated nature-related issues in their overall risk management, according to the study.

Experts noted that Singapore's listing rules do not extend to nature-related reporting yet, but that nature considerations will become more important going forward.

Professor Lawrence Loh, director of the Centre for Governance and Sustainability, said: "Nature and climate are closely interrelated, but nature goes beyond environmental issues, particularly climate change."

"Nature-related reporting introduces concepts such as environ-

mental resources and ecosystem services, which may be new to businesses."

He added that climate change is only half the story and companies need to consider nature for the full story.

NTU Associate Professor Kelvin Law, who teaches accounting, noted that nature disclosures are broader than climate-related ones. "Climate-related disclosures primarily focus on greenhouse gas emissions, which is a standardised, single metric that's globally comparable in theory," he said.

"Nature disclosures are broader as they focus on various dimen-

sions of ecosystems, from biodiversity to soil or water quality, or deforestation."

Metaphorically speaking, he said, climate disclosures are like "tracking the body temperature of a human being – one single metric that is easy to measure, easy to compare and widely recognised", while nature disclosures are "more like full medical check-ups, where someone does a variety of testing, such as (for) blood pressure and heart rate".

In this way, the biggest challenge for companies is in how to measure their nature-related impact, the experts said.

Prof Law said: "The biggest challenge I see is that, even for measuring biodiversity – which is one of the leading indicators on nature impact – there's a lack of consensus as to what to count and how to count."

"Overall, measuring climate impact is like counting raindrops in a bucket – easy to measure the (quantity), while measuring nature impact is like counting raindrops – much harder to track."

Prof Loh added that the metrics a company uses to measure its nature-related impact will also vary according to its business activities and its location.

"This requires companies to know their business very well and map out the physical footprint of the business activities and assets in both their direct operations and value chains, which can be challenging," he said.

Some sectors that traditionally have more nature-related disclosures are those in agriculture or forestry as they have to think about nature risks directly for their operations and bottom line, noted Prof Law.

But other sectors, such as technology and banking, are just starting to understand their indirect impact through their supply chains, he added.

This can be through their buildings, such as warehouses or data centres, that have an impact on nature too.

Some Singapore companies that have taken the lead in producing nature-related disclosures include property developer City Developments, UOB and Olam Group's Olam Agri and Olam Food Ingredients.

Prof Law said: "Although climate-related disclosures have become increasingly mandatory globally, nature-related disclosures remain voluntary."

"As frameworks like TNFD mature and investors demand more transparency around nature risks, we're likely to see more structured requirements emerge."

suetan@sph.com.sg