Asian board directors a major force driving sustainability development -survey

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Financial firms' boards of directors across Asia should be the major drivers for sustainability development, rather than regulatory authorities or rule regimes, new research has found. Stewardship Asia Centre launched a report on May 28 entitled "Boards as Stewards of Sustainability." It found that board intentions and capabilities were key to prioritising sustainability development and implementing environmental, social and governance (ESG) measures.

"It is all about boards' intent to drive the sustainability agenda and their ability to execute it," said Sunil Puri, the centre's senior vice president of research and engagement, during its research launch presentation in Singapore. "Boards disproportionately [focused] more on sustainability opportunity than sustainability risk will emerge as long-term stewards."

Among all survey participants, either listed or unlisted companies, 19% of responding firms were from the financial services sector, 7% were from energy, and 6% each were from agri-business, technology, and healthcare. A total of 89.6% of respondents considered "proactive, genuine leadership intent to do well by doing good" to be the most important element contributing to ESG performance and creating durable positive impacts.

Other elements included regulations and compliance (3.8%) and measurement and reporting (2.8%). Boards of directors spend most of their time on the three top activities, namely financial performance (30%), regulatory compliance (16%) and risk management (14%).

Boards' role in sustainability

Respondents have highlighted eight roles that board directors must have to steward sustainability in their companies. They include tone at the top, reporting and compliance, oversight, stakeholder alignment, direction-setting, long-term value creation, culture guardianship and guide by the side.

"It is imperative for directors to recognise that their responsibilities extend beyond financial considerations, encompassing broader societal and environmental objectives," the report said. "Boards need to steer the direction of the company … it's about steering the ship towards where it should be."

Boards still need to provide rigorous oversight to ensure compliance with regulatory requirements and ethical standards, it said.

"This entails establishing robust monitoring mechanisms, conducting regular assessments and holding management accountable for upholding the organisation's sustainability commitments," the report said.

"By integrating sustainability into the governance framework, boards mitigate risks, enhance transparency and safeguard the organisation's reputation and credibility."

Board directors must be held accountable for being good fiduciaries, meeting stakeholder expectations, creating long-term value, aligning profit with purpose and acting beyond minimum regulatory requirements. The survey gathered 637 responses from 11 countries: Australia (17%), Malaysia (15%), New Zealand (13%), India (13%), Vietnam (10%), the Philippines (8%), Singapore (7%), Pakistan (6%), Indonesia (4%), Sri Lanka (3%) and Japan (3%).

The centre has been voluntarily promoting stewardship, aiming to complement the ESG metrics that the Singapore Exchange has been rolling out for listed companies since 2017. Steward leadership entails interdependence, a long-term view, an ownership mentality and creative resilience.

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