THE PAPER

The paper focuses on three core areas of investors’ ESG expectations in Asia:

- Why companies should adopt best practice on ESG matters
- Why it is important to investors
- What investors want (and don’t want) to see

“Recognition that ESG matters can have a material impact on investments has driven global asset managers and their clients to the realisation that effective assessment and management of these matters are part of their fiduciary duty,” said Yvette Kwan, Executive Adviser to AAMG. “Just as asset managers are undergoing a paradigm shift to better integrate ESG into their investment processes, they also expect investee companies to undertake similar organisational changes to better assess and mitigate material ESG issues within their scope of business.”

This paper seeks to explain why companies in Asia should adopt and disclose sustainable business practices that take environmental, social and governance ("ESG") issues into account. Also, importantly, it provides practical guidance on what investors expect of investee companies in approaching ESG issues, including specific implementation and action points. The paper explains how this information is used by asset managers and how such information is most helpful to them.

“In this paper, we suggest that the findings of the Task Force on Climate-Related Financial Disclosures (TCFD) could prove to be a useful framework for investor expectations of how investee companies address not just climate issues, but broader material ESG or sustainability concerns” continued Ms. Kwan. “Asia is a very diverse and nuanced region. The guidance in this paper considers region-specific characteristics including the implications for conglomerates, SOEs / government-owned, and family-controlled companies, given their prevalence in Asia.”

More importantly, the paper stresses that management of ESG issues is not just about disclosure. Driving strategic and cultural change on ESG issues requires commitment and engagement starting from the top of an organisation, and it goes hand-in-hand with having the skillset to properly assess ESG issues.

AAMG believes that regulators can play an important role in accelerating and encouraging commitment, and engagement through regulation, codes of conduct and exchange rules. Directors and boards can also
be guided by ESG education, training and constructive engagements with investors.

“Ultimately, AAMG sees the adoption of sustainable business practices as something that is achievable by all companies even if they are currently just starting out on the journey,” concluded Ms. Kwan.

ENDS

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About ASIFMA

ASIFMA is an independent, regional trade association with over 150 member firms comprising a diverse range of leading financial institutions from both the buy and sell side, including banks, asset managers, law firms and market infrastructure service providers. Together, we harness the shared interests of the financial industry to promote the development of liquid, deep and broad capital markets in Asia. ASIFMA advocates stable, innovative, and competitive Asian capital markets that are necessary to support the region’s economic growth. We drive consensus, advocate solutions and effect change around key issues through the collective strength and clarity of one industry voice. Our many initiatives include consultations with regulators and exchanges, development of uniform industry standards, advocacy for enhanced markets through policy papers, and lowering the cost of doing business in the region. Through the GFMA alliance with SIFMA in the United States and AFME in Europe, ASIFMA also provides insights on global best practices and standards to benefit the region.

More information about ASIFMA can be found at: www.asifma.org.