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Survey: Malaysia falls behind in transparency

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PETALING JAYA: The Global ESG Monitor survey reveals that Malaysia has fallen behind in the transparency of its non-financial reporting.

A part of the Global ESG Monitor's sample is FBM KLCI which scored an average of 54 points out of 100.

This puts the Malaysian index in joint fifth place with the Dow Jones, among all 10 indices surveyed by the Global ESG Monitor 2022.

The Global ESG Monitor is a unique research initiative examining transparency in non-financial reporting of the largest companies in the world.

According to the survey, the FBM KLCI is also in the "midfield" in the case of individual companies.

"No company's environmental, social and governance (ESG) reporting was found to have achieved the top quartile (very high transparency) nor the bottom quartile (very low transparency).

"Press Metal Aluminium Holdings and Tenaga Nasional Bhd received the best score with 72 points and came 42nd in the overall

international ranking, followed by PETRONAS Chemicals Group Bhd with 71 points and RHB Bank Bhd with 66 points," it said.

The Global ESG Monitor found that when it comes to the sustainability context, socio-economic context and value chain, many Malaysian companies are above the average level. However, only 30% of companies provided information on political contexts.

According to Dr Nurmazilah Mahzan, member of the IFRS Foundation Integrated Reporting and Connectivity, reporting is an important narrative as it informs stakeholders what is happening in the company and how it is moving forward.

"Results found that 67% of FBM KLCI companies provide a list of their stakeholders while only 37% describe how they determine their stakeholders."

Meanwhile, the survey revealed that there is still a large number of companies that remain silent on the issue of water consumption (37%), while the number of firms disclosing the estimated waste produced per year was only 27%.

Moving onto the social aspect of ESG, the survey looked into companies' efforts towards human rights, prevention of child labour, disclosure of discrimination and harassment incidents and safety management.

It was observed that most companies disclosed their transparency on upholding human rights (83%), while the number of firms describing the implementation of occupational health and safety management was at 97%.

Meanwhile, the S&P Asia 50 received a slightly higher score compared to the FBM KLCI with 56 points.

It was also revealed that the S&P Asia 50 companies were more transparent when it came to the environmental and socio-economic context, compared to the political context in which they operated.

It was also revealed that it is common for S&P Asia 50 companies to disclose their ESG strategies.

"But when it comes to strategic goals, they tend to be more vague, especially when reporting a timeframe to achieve selected strategic goals."