Update on Sustainability Reporting

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Legislation is in the horizon

In the previous article on Sustainability Reporting[1], this author highlighted that those organisations that report on their sustainability activities are in a better position to achieve sustainable profit in the long run. However, given the continued uncertainty of the global economy with focus shifting from Europe to emerging markets and the uncertain impact in Asian markets arising from the imminent US QE tapering, many organisations in this region are not putting sustainability efforts high on their corporate agenda, much less on reporting them.

While organisations have plausible reasons to focus on defending their market shares, explore new markets, cut costs, improve productivity and enhance customer service to meet their stakeholders' expectation, they must acknowledge that there is increased level of green activism and heightened consumer awareness of their rights to protect their communities and the environment.

Since all form of business activities generate various levels carbon footprint and greenhouse gas emissions, governments around the world have or are in the process of implementing various legislations with the end goals to curb greenhouse gas emissions and mitigate impacts arising from global warming.

India, recognised by many businessmen as one of the toughest countries in the world to start and operate a business has recently updated its Companies Act[2] to incorporate a stipulation for companies with a net worth of Rs 500 crore (US $100 million) or more, or turnover of Rs 1,000 crore (US $200 million) or more, or a net profit of Rs 5 crore (US $1 million) or more during the past three financial years to spend at least 2 percent of their average net profits from the three preceding years on Corporate Social Responsibilities (CSR) initiatives.

In this region, the Singapore Stock Exchange (SGX) announced in Mar 2013 that it will move to a "comply or explain" basis for its listed companies to produce Sustainability Reports. The revised Singapore Code of Corporate Governance requires sustainability issues (environmental and social factors) to be considered by all Boards of Directors, as part of their strategic formulation.

These legislations would impact organisations at various levels of intensities and forwarding looking organisations should review how the incorporation of sustainability activities as part of CSR could be used as a differentiation to enhance their business proposition and market positioning.

Measuring Up?

Recognising that Sustainability Reporting requires expertise, resources and unyielding senior management support, the global standard for reporting, Global Reporting Initiative (GRI), released a new set guidelines (GRI G4) on 2 May 2013[3] to make it easier for companies embarking on the first time to start reporting on sustainability initiatives. Secondly, GRI G4 attempts to harmonize as much as possible with other internationally accepted standards such as ISO 26000:2010 – Guidance on Social Responsibility. In addition to ISO 26000, GRI and UN Global Compact have also announced that both organisations will further improve their previous efforts and work on alignment between the two standards with the end result being the alignment of G4 and Global Compact ten principles[4].

Despite these improvements, are companies taking up on Sustainability Reporting?

Let's look at Singapore.

Although SGX issued the Guide to Sustainability Reporting for Listed Companies in Jun 2011, compliance with the guideline is not made mandatory. In a SGX-KPMG study, it found that sustainability-related disclosure did not improve in any significant way from 2010 to 2011, In fact, just 13 out of 100 companies reviewed used internationally recognised standards or guidelines to report the sustainability-related information disclosed. A similar study by Singapore Compact, a national corporate social responsibility (CSR) society at the Institute of Certified Public Accountants of Singapore (ICPAS) found that only 79 out of 562 companies listed in SGX or 14% were engaged in Sustainability Reporting in 2010.

According to SGX chief executive Magnus Bocker in Mar 2013, sustainability is not big in Singapore or the rest of Asia. Out of the estimated US$13 trillion worth of professionally managed assets that incorporate such measures in investment selection and management, Europe accounts for 65 per cent while Asia accounts for a mere 0.6 per cent - US$74 billion. However, Mr. Bocker conceded that sustainable investing has an impact on Asian markets and highlighted that Norway's sovereign wealth fund had in 2012 pulled out 23 Asian palm oil companies after accusing them of causing deforestation. Amongst these companies were Singapore-listed Wilmar International and Golden Agri-Resources. Considering that the Hong Kong Stock Exchange has announced that it will move to a "comply or explain" approach for Environment, Social & Corporate Governance (ESG) reporting by 2015, SGX has also announced that the exchange will push for more stringent sustainability standards amongst Singapore listed companies. In May 2013, it launched the "An Investor's Guide to Reading Sustainability Reports" to aid investors to better understand what some listed companies are doing in the sustainability areas.

Notwithstanding these efforts, in an interview with Mr. Thomas Thomas, Executive Director of Singapore Compact last month[5], he noted that a large segment of the population in Singapore have the mistaken notion that CSR is about donating money to the community and for charity. While philanthropy does address some issues, Mr. Thomas clarified that CSR is about the way businesses operate and how they operate in a responsible way contributing to global good and achieving a positive environmental impact. Even the local media in Singapore seems to be giving less coverage on CSR and environmental impact issues. For instance, a scan of the local newspapers for the recently concluded Singapore Compact CSR Summit 2013 held on 4th and 5th Sep 2013 featured only the speech by the Speaker of Parliament on social innovations that urged companies to create a more inclusive workplace environment to support work-life balance and equal opportunities for all employees[6]. Given the small number of organisations here moving in a big way into CSR activities, it is no wonder that GRI does not have certified training partners in the country compared to its more advanced neighbours like Malaysia, Thailand and Indonesia.

Condensed Picture

While Singapore is starting behind some of its neighbours, it is unfair to conclude that Singapore companies and non-profit organisations are not taking up more active roles in the areas of CSR and reporting on Sustainability. Besides the government agencies, amongst the non-profit organisations is Singapore Compact. Others include the Singapore Business Federation that has a Sustainability Development division supporting companies in this area. Increasingly, the Singapore International Foundation is also focusing on CSR activities in its quarterly magazine. Even the Institute of Engineers, Singapore has in recent years emphasized the need for engineers of varied disciplines to consider and cater for environmental protection in their designs, products and services.

Nevertheless, it is clear that more can be done and besides organisations such as City Development, Capitaland, Keppel Land, China Fishery, etc; many of the gold members of Singapore Compact could take the lead beyond contributing S$1,500 as annual membership fee.

Learning from others who have successfully implemented CSR into their organisations, Ms Esther An, Head of CSR, City Development7 shared that, "…leadership commitment is crucial for the mandate and resources needed. A committed team of champions taking the lead in strategic planning and implementation across the entire operations is important for effective application of sustainable business practices in an organisation".

References:

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